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Yeltsin Balks On Pullout Of Forces From Baltics

Despite Clinton Nudge, Russia Says It Will Keep 2,000 Troops in Estonia

By Douglas Jehl
New York Times Service

NAPLES — Despite prodding from President Bill Clinton, President Boris Yeltsin of Russia said Sunday that he would not meet a commitment to withdraw all Russian forces from the Baltic nations by Aug. 31.

While promising that Latvia would join Lithuania by that deadline in being finally free of Russian troops, Mr. Yeltsin said he would not pull back the 2,000 soldiers that his country has left stationed in Estonia until that country agrees to grant wider rights to retiring officers who stay behind.

On the day that Mr. Yeltsin joined the leaders of the seven major industrial democracies as a full participant for the first time at their annual summit meeting, his declaration on the Baltics provided a stark reminder of the differences that remain between Russia and the other nations.

It also gave a new glimpse of the still-complicated relationship between Russia and the states it once occupied.

With Mr. Clinton looking on in apparent displeasure, Mr. Yeltsin complained about "very crude violations of human rights" in Estonia, which declared independence in 1991 after 46 years of Soviet occupation.

He said Estonia's refusal to grant citizenship and provide housing to Russian military retirees had left Moscow's relationship with that country "somewhat more difficult" than with its Baltic neighbors.

Mr. Yeltsin did agree to meet with President Lemm Mägi of Estonia in hopes of resolving their differences, and his public hard-line stance may in part have been a negotiating ploy.

U.S. officials said the promise of face-to-face discussions between the Russian and Estonian leaders represented the "significant progress" that Mr. Clinton claimed during a joint news conference to have made in his discussions with the Russian leader.

But when asked immediately afterward whether he intended to honor his own Aug. 31 deadline, Mr. Yeltsin replied with a blunt "no," bringing a flash of tension to a day in which the gathered leaders tried otherwise to show that they held common cause on trouble spots from Bosnia to North Korea.

As they concluded their three-day summit here, Mr. Clinton and his fellow G-7

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G-7 Shrugs Off Weak Dollar as Summit Ends

By Alan Friedman
International Herald Tribune

NAPLES — Leaders of the world's seven richest industrial democracies ended their annual economic summit meeting here Sunday determined to ride out the vicissitudes of the volatile financial markets that have pushed the dollar to historic lows against the yen and sent long-term interest rates soaring.

During a generally harmonious two-day meeting, President Bill Clinton and his counterparts from the other Group of Seven industrialized nations tried repeatedly to put a brave face on the dollar's weakness. In their effort to collectively jawbone financial markets, they stressed that underlying economic fundamentals in G-7 countries were sound and announced that their finance ministers and central bankers would meet more frequently "to enhance the ongoing process of multilateral surveillance and policy cooperation."

In their final communiqué, the G-7 leaders hailed what they termed improved conditions for a sustained, low-inflation economic recovery. They also reaffirmed their determination to take steps to battle unemployment, and committed themselves to further moves to help Russia, Ukraine and other East European countries in their transition toward a market economy.

But the communiqué made no explicit mention of the G-7's nearly unanimous view that the dollar is currently undervalued.

Lloyd Bentsen, the U.S. Treasury secretary, who on Friday had suggested such a statement might be forthcoming, said he was not disappointed. "We discussed the issue, particularly among the finance ministers," he said. "And we shared the objective of a strong dollar."

In place of a written statement on the

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Newsstand Prices

Andorra.....\$9.00 FF	Luxembourg \$6 L Fr
Artilles.....\$11.20 FF	Morocco.....\$12.00
Cameroon.....\$1.00 CFA	Qatar.....\$11.20 FF
Egypt.....\$9.00	Réunion.....\$9.00
France.....\$9.00 FF	Saudi Arabia.....\$9.00 R
Gabon.....\$9.00 CFA	Senegal.....\$9.00 PTAS
Ghana.....\$9.00 Dr.	Spain.....\$200 PTAS
Greece.....\$300 Dr.	Tunisia.....\$1,000 Din
Italy.....\$2,000 Lira	Turkey.....\$1,35,000
Ivory Coast.....\$1,120 CFA	Turkey.....\$1,35,000
Jordan.....\$1 JD	U.A.E.....\$1.50 Dirh
Labanon.....\$1.50 U.S. Mil.	(Eur.) \$1.10



People crying after placing flowers before a statue of Kim Il Sung on Sunday at the Revolution Museum in Pyongyang.

Clinton's Switches Baffle His Peers

By William Drozdiak
Washington Post Service

NAPLES — Nearly two years into his presidency, Bill Clinton's peers among leaders of the world's industrial democracies give him high marks for congeniality, intelligence and his assiduous habit of consulting them on matters of mutual concern.

But they are becoming increasingly baffled, and troubled, by his penchant for reversing policies and floating half-baked initiatives in ways that erode his stature, project an image of disarray in his decision-making and sap the confidence of the allies and the public in his leadership.

Mr. Clinton's performance at his second Group of Seven summit meeting has only confirmed what leaders in several allied

capitals were beginning to suspect: that in contradiction of Machiavelli's famous dictum, he is a leader who prefers to be liked rather than feared.

The White House's embarrassing withdrawal of an initiative to launch a new review of world trade barriers, even before

NEWS ANALYSIS

last year's world trade deal is ratified by the 123 countries that signed it, was so hasty that it raised questions among allied governments about what purpose the administration saw in it.

Allied governments were only informed of the proposal recently. President François Mitterrand of France and Chancellor Helmut Kohl of Germany were quoted by aides as saying they could not believe Mr.

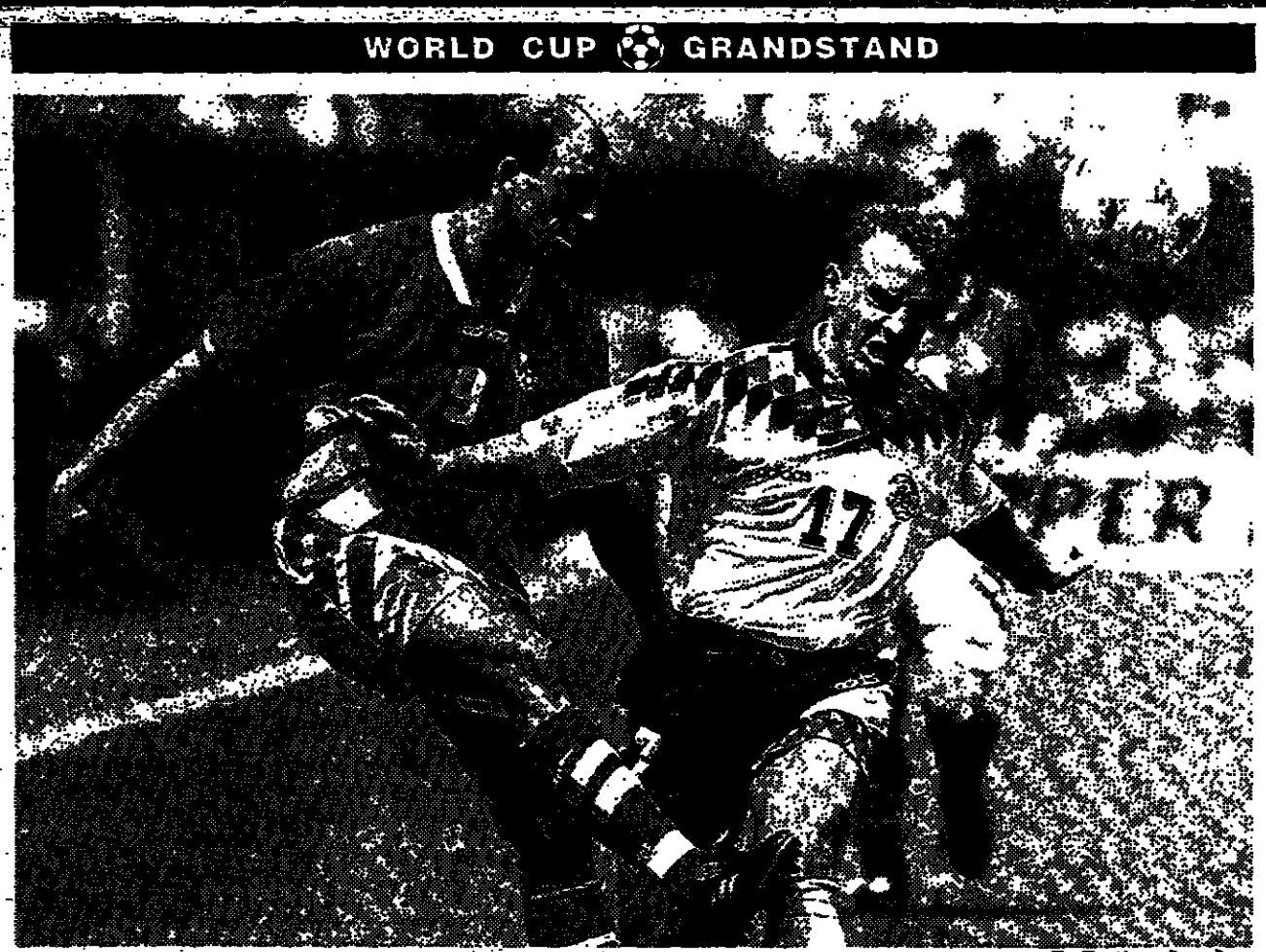
Clinton wanted to affix his name to it.

Other leaders were more polite. Mr. Kohl and Prime Minister Silvio Berlusconi of Italy urged Mr. Clinton to ditch the idea in the absence of a consensus — at least until the new world trade treaty is endorsed by all participating nations.

"I accept your arguments," Mr. Clinton replied. "We will see after ratification." The U.S. proposal called for a review of world trade barriers, building on completion of the General Agreement on Tariffs and Trade that was signed in Morocco in April.

While the turnabout may inflict no serious damage on global trade patterns, the way it was handled disturbed senior European officials, who have been growing

See CLINTON, Page 5



Jordan Letchkov kicking the ball away from Germany's Martin Wagner on Sunday during Bulgaria's upset victory.

Sweden Wins Shootout
Sweden best Romania in a penalty shootout to advance. Romania had tied the score at 1-1 at the end of regulation time, then went ahead early in overtime, but Kenneth Andersson equalized for Sweden near the end.

Bulgaria 2, Germany 1
Two goals in three minutes, by Hristo Stoichkov in the 76th minute and Jordan Letchkov three minutes later, ended Germany's reign and put Bulgaria into the semifinals for the first time.

Lothar Matthäus, making a record-tying 21st World Cup appearance, had put Germany ahead from the penalty spot in the 49th minute.

Italy 2, Spain 1
Roberto Baggio, who bailed out his team with both goals against Nigeria, did it again on a goal with two minutes left in regulation in the quarterfinal match. Spain had a chance to take the lead in the 83d minute, when Julio Salinas found himself tête-à-tête with

Gianluca Pagliuca but hit the Italian goalkeeper in the legs with his shot.

Brazil 3, Netherlands 2
Brazil, in a thriller that produced all five goals in the second half, won on a free kick in the 81st minute by veteran defender Branco. The Brazilians had taken a 2-0 lead on Bebeto's goal.

Wednesday's semifinal matches: Italy vs. Bulgaria, in East Rutherford, New Jersey, 2005 GMT; Brazil vs. Sweden in Pasadena, California, 2335 GMT.

World Cup report: Pages 15, 16 and 17

North Korea Orders Urgent Meeting Amid Signs of Calm Transition

By T. R. Reid
Washington Post Service

SEOUL — The North Korean government ordered members of the national Parliament and Workers' Party leaders from around the nation to gather in Pyongyang on Monday for a mass meeting that could mean the official declaration of Kim Jong Il as the Communist state's new supreme ruler.

The special session could merely be part of the national mourning for Kim Il Sung, analysts here said, but it might also mean that the late ruler's son had successfully consolidated power in the three days since his father's death.

South Korean officials monitoring radio broadcasts said that Pyongyang's state news agency had started referring to Kim Jong Il, 52, by the exalted title "Great Leader," a term that had previously only been applied to his father. This was a significant semantic promotion for the younger Mr. Kim, previously known as "Dear Leader."

The fragments of information coming out of the hermit nation all seemed to indicate a fairly calm and smooth transition of power to Kim Jong Il. But officials here noted that Kim Jong Il, the regime's propaganda expert, runs the radio network — and that might account for the absence of any reports of opposition.

Complete control of broadcasting has been an important tool of dominance for the Kim clique that has ruled North Korea since the nation was formed at the dawn of the Cold War. Radios and television sets sold in the North can receive only two stations — the two state networks.

On Sunday, North Korean television broadcast dramatic footage of an outpouring of weeping citizens who turned out by the thousands in Pyongyang to mourn their late leader. The man who ruled for 49 years before his death at 82 was virtually worshiped by the people because of the myth — taught as history in all North Korea schools — that he was the man who defeated Japan in World War II and thus liberated Korea from colonial rule.

Tapes broadcast at length Sunday on South Korean television showed long lines

of people moving up a hill to the National Museum of Liberation, site of a 30-meter-high gleaming bronze statue of the late president.

The mourners, most carrying flowers, got down on all fours, placed their foreheads on the concrete plaza, and sobbed. After a few moments of grieving, a new line of citizens would move in and do the same.

The strong and ubiquitous cult of Kim Il Sung may permit the North Korean regime

How much is known about Kim Jong Il? Precious little. Page 4. • Economic necessity will force greater contact with the world. Page 9.

to achieve what no other Communist leaders could manage, a hereditary succession from father to son.

As further evidence that a quick transition to the rule by the son was in the works, North Korean officials at the U.S.-Korea talks in Geneva asked their American counterparts to stay in Geneva and be prepared for a quick resumption of the negotiations, which were suspended Saturday with word of President Kim's death.

Even if Kim Jong Il successfully assumes power now, analysts have warned that he may not be able to rule uneventfully for long.

North Korea is one of the poorest and most primitive nations on earth. Over the past year or so, visitors have reported widespread famine and misery among the 22 million North Koreans. Even in Pyongyang, a showcase city that is the closest North Korea comes to modern convenience, electricity and water supplies often function only three hours per day, recent visitors say.

The apparent love for Kim Il Sung among the populace probably helped people put up with the deprivation. But the son lacks both the historic stature and the cheery charisma of his father, and might find it harder to maintain order.

"Kim Il Sung was able to put his son in place," Park Doo Shik, a columnist, wrote Sunday in the South Korean newspaper

See KOREA, Page 4

Unpredictability of North Has Washington on Edge

Compiled by Our Staff From Dispatches

NAPLES — Secretary of State Warren M. Christopher expressed nervousness and uncertainty Sunday about the aftermath of Kim Il Sung's death.

"With a country with the history of North Korea, with the sudden death of the leader of the country, I think it's a time for real vigilance and careful watching by the United States," Mr. Christopher said in a televised interview. "We had some important talks under way with them. We hope they will continue."

"But I think the present watchword ought to be vigilance," he said. "Fortunately, there's no indication that there's been any unusual or threatening buildup by North Korea, but until the uncertainty of this moment is resolved, I think the United States should be in a very careful position."

In Geneva on Sunday, the North Korean delegation said its negotiations with the United States had been suspended until after Kim Il Sung's funeral on Sunday.

The U.S.-North Korea talks had opened Friday on an upbeat note, as both sides declared their efforts "useful and productive."

The negotiations are aimed at resolving international concerns over North Korea's suspected nuclear weapons program. In return, North Korea would receive diplomatic and economic benefits.

Speculation about the future of the nuclear talks focused Sunday on the question

of whether Kim Jong Il will take a more hard-line position than his father regarding U.S. demands, possibly to shore up support among military officers loyal to the elder Mr. Kim but skeptical of the son's abilities.

As for Kim Jong Il, the North Korean president's son and designated heir, Mr. Christopher said, "We know relatively little about him, frankly."

"We've not had contact with him, and he's been largely out of the press and out of public appearances in recent years," he said. "There's some indication that he's been involved in the important decisions of the country. We think he may have been involved in the decision to start the talks in Geneva, as well as the North-South talks, but we'll have to be in a watchful, waiting situation with respect to him."

Earlier, Mr. Christopher said that the United States would consider a meeting with Kim Jong Il if he succeeds his father, but only if North Korea assures the international community that its nuclear program is not involved in producing weapons.

"One of the problems we've had in the past has been isolation," Mr. Christopher said. "We would welcome the opportunity over time to get to know Kim Jong Il better, but there would have to be a sequential series of steps — that is, they

See REACTION, Page 4

Kiosk

Panama to Accept Haitian Refugees

PANAMA CITY (AFP) — Panama will accept an unspecified number of Haitian refugees to be housed at U.S. military bases, the president-elect, Ernesto Pérez, said Sunday. Mr. Pérez cited "humanitarian reasons" for his decision. He takes office Sept. 1, succeeding President Guillermo Endara. He said his deci-

sion came after talks with two envoys dispatched by President Bill Clinton, Sol Linowitz and Michael Kozack.

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Books Page 5.

American Teens Have Adult Problems, but the 2 Worlds Don't Meet

By Susan Chira
New York Times Service

NEW YORK — A nationwide poll of American teenagers suggests that many lead lives shadowed by adult concerns like violence, drinking and getting a good job, but these are worries that many say they cannot share with adults.

Many appear to live in virtually separate worlds from adults. Four in 10 say their parents sometimes or often do not take time to help them, and many say the people they both trust and fear the most are other teenagers.

A total of 40 percent of teenagers

surveyed said they knew someone who had been shot in the last five years, and most of those said that both the attacker and the victim were other teenagers.

Moreover, 13 percent said that at least half the students in their schools carried weapons like knives and guns, and another 16 percent said some students were armed. A third said at least some classmates had cheated on the last test they took, and most confessed to cheating at some time.

Amid these very grown-up troubles, many teenagers still cling to some remnants of their early childhoods. Many

say their most cherished possessions are stuffed animals or baseball card collections.

And while many sounded blasé about drinking or cheating, they often made harsh moral judgments about themselves, wishing they could control their tempers or be nicer to others.

The survey, conducted May 26 to June 1 by The New York Times and CBS News, was a telephone poll of 1,055 teenagers, 13 to 17 years old. It has a margin of sampling error of plus or minus 3 percentage points. This was the first poll of teenagers these organizations

have conducted, so it cannot be used to deduce changes in attitudes and behavior over time.

Many of today's adolescents feel estranged from their parents. Four in 10 said their parents were sometimes or often unavailable to them, a result that did not appear to depend on whether their mothers worked outside the home.

In follow-up interviews, many said their parents were not spending much time with them or communicating well with them.

While many teenagers said they would not want their parents riding herd on

them anyway, hints of longing crept through the bravado.

"Even when my parents are here, it's like they're not because they don't have any time," said Aaron M., a 16-year-old who lives near Olympia, Washington, and who did not want his last name used. "We never do anything. We never go out to dinner. We used to do it all the time when we were younger."

For other teenagers, though, parental relationships were less bleak.

"Sometimes, I feel like my room is

See TEENS, Page 4

A Leg Up for Immigrants in France

By Barry James
International Herald Tribune

MARSEILLE — Tahar Rahmani asks himself these questions: Can a tradition of hard work and trading skills disappear in a generation? Why does unemployment among the children of the enterprising, hardworking North Africans who came to France after the war soar above the national average?

Mr. Rahmani, 38, a community activist, believes that dormant entrepreneurial skills can be reignited, given encouragement.

To prove the point, he set up an association, known as 3CI, to help young people from immigrant families establish their own businesses. In eight years the association, which has branches in Paris, Lyon and Bordeaux and a staff of about 40, has helped set up more than 1,300 businesses, including 494 last year.

"Our purpose is to see that projects are feasible, not too far-fetched," he said. "We go over the finances, the site, the qualifications and the personality of the applicants. The essential thing is that they must be made to understand the problems for themselves."

3CI, which is funded largely by city and government money and provides most of its services free, does not offer financing of its own. It shows candidates how to apply for government aid, guides them through the maze of official regulations, and helps them put together a business plan

that banks and other lending organizations will accept. They put us on the road quickly," said Franck Kessous, who with a partner established a physiotherapy clinic in a poor quarter three years ago. "They gave us a lot of confidence."

Today, the clinic employs eight, owns three adjoining

Up and Coming
An occasional series about the leaders of tomorrow.

apartments and is about to open a paramedical center.

"The clinic was our work, but we owe 3CI a moral debt," said Mr. Kessous. "They always gave us the idea that we were not alone. They keep in touch, not like a bank."

As a student at commercial school, the Algerian-born Mr. Rahmani became involved with an organization dealing with problems of poverty in France and the developing world. Against his father's wishes, he dropped out of the commercial school and studied for a diploma in social studies.

After a spell living with a native Indian tribe in northern Quebec, Mr. Rahmani set up an adventure playground for disadvantaged children in Marseille.

Ten years ago, after preparing a report for the city on social conditions among immi-

grants, he set up 3CI, initially to combat racism. The title stands for Council for the Creation of Enterprises and International Cooperation.

The association has helped set up corner shops, an export-import business, a factory making transport pallets that employs 14 handicapped people, a gardening company, an instrument maker, a sports promotion company, an advertising agency, a security firm and Kader Allik's tiny pizzeria.

Mr. Allik, 26, and his brother Mustafa had no money, no formal qualifications and no hope of bank financing when they decided to set up the business in a bleak housing project. But the brothers reckoned they could win the patronage of students and teachers at a nearby nursing school, and they were right. The café is a bright spot in what used to be a no-go area, and Mr. Allik says all the bills are paid. He said 3CI still helps him deal with frustrations over red tape.

The businesses established with 3CI's help have a good survival record — about 20 percent fail in the first year and about 35 percent in five years, which is half the national average. Mr. Rahmani argues that 3CI's 5.5 million franc (\$1 million) budget last year saved the state money by turning welfare recipients into taxpayers.

As his concept expands, Mr. Rahmani and his team continue to come up with new ideas. With government help, 3CI es-

tablished an office alongside a branch of the national employment agency in an abandoned supermarket in an immigrant area. In less than a year, the office has helped 25 businesses get established, and has prepared about 80 business plans.

The association also took over a floor in a building near the Marseille railway station and turned it into a nursery for fledgling businesses. At relatively low cost — 2,500 francs a month — a new company can rent an office for up to 23 months, sharing a receptionist, secretary, photocopier and fax machine.

Mr. Rahmani spends his spare time managing Radio Soleil, which has a predominantly North African and Jewish audience. He also is a member of the National Council for Immigration.

The next step might appear to be a career in politics. The only problem is that he has a low opinion of politicians and thinks they should not be trusted to run anything. Marseille has long been a magnet for political adventurers, such as Jean-Marie Le Pen, the extreme rightist, and the maverick Socialist, Bernard Tapie.

"Marseille needs a different kind of politician who will do justice to the city," Mr. Rahmani said. He said it was common for politicians to use the city as a stage for national ambitions and ignore the problems of the poor.

Mr. Rahmani, who is married and has three sons, is a



Tahar Rahmani believes in reigniting traditional skills.

passionate defender of Marseille's ethnic bouillabaisse, while recognizing its social problems.

Speaking from the experience of dealing daily with people trying to turn dreams into

reality, Mr. Rahmani describes Marseille as having enormous potential.

"It is a laboratory of ideas," he said. "Everything happens here 10 years before the rest of the nation."

WORLD BRIEFS

Rights Groups Call for Investigation Of Palestinian's Death in Custody

JERUSALEM (AP) — Human rights groups voiced concern and demanded an inquiry Sunday after a young Palestinian suspected of collaborating with Israel died in PLO custody in Gaza City.

The New York-based Human Rights Watch wrote to the Palestine Liberation Organization's "minister" of justice in the new Palestinian authority "to express its concern about the death in detention of Farid Jarba." It said it was "disturbed to learn" that his death had been caused "by the use of violence, according to the autopsy."

The family of the 28-year-old taxi driver was told he had died of a heart attack, but his father said the body was "horribly marked by numerous traces of beatings and injuries." The Palestinian human rights group al-Haq also urged an investigation.

The Palestinian human rights group, which is based in the occupied West Bank town of Ramallah, said that Mr. Jarba's arrest at the end of June, "resembled a forced kidnapping more than a lawful arrest."

Bangladeshis Seek Blasphemy Ban

DHAKA, Bangladesh (AP) — Hundreds of supporters of a Bangladeshi fundamentalist group Sunday demonstrated to demand the enactment of an anti-blasphemy law, witnesses said. Leaders of the Jamaat-e-Islami Party also called for punishment of "infidels," including a fugitive Bangladeshi writer, Taslima Nasreen.

Manzana Matur Rahman Nizami, the party's parliamentary leader, gave a petition containing the fundamentalists' demands to Home Ministry officials, sources said.

U.K. Conservatives Suspend 2 Aides

LONDON (Reuters) — Prime Minister John Major on Sunday suspended two Conservative politicians as ministerial aides after they were accused in a newspaper article of agreeing to file questions in Parliament in return for money.

The Sunday Times alleged that David Tredinnick and Graham Riddick, both members of Parliament, abused parliamentary privilege by agreeing to accept £1,000 (\$1,500) from a reporter pretending to be a businessman seeking information obtainable through a parliamentary question to the government.

Both denied any impropriety. But Mr. Major, attending the Group of Seven summit meeting in Naples, moved swiftly to try to quell a new political storm. Mr. Major's spokesman announced the two were suspended as parliamentary private secretaries to ministers pending the outcome of an inquiry by the House of Commons.

Nepalese Prime Minister Resigns

KATMANDU, Nepal (AP) — Prime Minister Gijja Prasad Koirala of Nepal resigned on Sunday after losing the support of Parliament in a debate on his government's annual program, state radio announced.

"King Birendra received Mr. Koirala in audience and has accepted his resignation," the announcement said. After the vote on the government's annual socio-economic and political program was announced, Mr. Koirala met with ministers and leaders of the governing Nepali Congress Party. He then decided to step down.

A parliamentary source said Mr. Koirala might advise King Birendra to dissolve Parliament and call elections before a May 1996 deadline.

Greek Police Wound an Albanian

ATHENS (Reuters) — The police in Greece shot and wounded an Albanian woman Sunday after the car she was riding in failed to stop for a search near the Albanian border.

The woman was wounded seriously in the head and her husband was arrested. Two or three other men abandoned the car and fled into the rugged border countryside on foot, a police spokesman in Ioannina said. He said the car was on the Greek side of the border and had been ordered to stop for an inspection at a police road-check. Someone in the car opened fire on the police, who fired back, wounding the woman, the spokesman said.

TRAVEL UPDATE

Alitalia Strike in Rome and Naples

ROME (AP) — An airline workers' strike threatened to ground most Alitalia flights and cause delays at some airports on Monday.

The 24-hour strike affects all international and domestic flights from Rome and Naples, where the Group of Seven summit meeting ended Sunday. The strike could hamper the departure of some delegations and journalists. But Alitalia said it would guarantee a minimum number of flights, including major routes to New York, Bangkok and most European destinations.

Unions are protesting Alitalia's cost-saving plan to cut 4,000 jobs. Last week, a two-day strike by flight crews forced Alitalia to cancel half its flights. A planned walkout by air traffic controllers was delayed until later this month.

Beaches in the southern resort city of East London, South Africa, were closed Sunday after a Great White shark attacked two surfers on Saturday, South African radio reported. One of the surfers lost his right leg in the attack. (AP)

Greek authorities are planning to throw nets across the Gulf of Saros to stop an influx of millions of jellyfish, the minister for tourism said. (AP)

Three people were injured by bulls Sunday in Pamplona, Spain, bringing to 24 the number of people hurt during the city's annual bull runs. (AP)

China will build a 1,300-kilometer high-speed train line between Beijing and Shanghai by the end of the century, the Xinhua news agency reported Sunday. The total cost of the 800-mile line is estimated at 100 billion yuan (\$11.6 billion), it added. (AP)

This Week's Holidays

Banking and government offices will be closed or services curtailed in the following countries and their dependencies this week because of national and religious holidays:

MONDAY: Mongolia.
TUESDAY: Mongolia.
WEDNESDAY: Mongolia.
THURSDAY: France, Iraq, Mexico.
FRIDAY: Brazil.

Sources: J.P. Morgan, Reuters.

Rwanda Rebels Promise a Truce but Rule Out Talks

Compiled by Our Staff From Dispatches

KIGALI, Rwanda — Tutsi rebels said Sunday that they would not negotiate with the Hutu government but said Rwanda was nevertheless within days of a cease-fire.

"As soon as we secure the areas we have captured and form a new government, we will declare a cease-fire," Jacques Bihuzogera, the rebels' diplomatic director for Europe, said.

"We expect it to be within days," he said.

Faustin Twagiramungu, a moderate Hutu named prime minister in a multi-party agreement before fighting began in April, was expected to return from Brussels this week to select the new government.

Asked whether the rebels were negotiating with the government, Mr. Bihuzogera said: "Never. Not one of those men did anything to distance himself from the slaughter."

In anticipation of the promised peace, thousands of refugees flooded the streets of Kigali on Sunday after rebel soldiers told them the capital was safe enough for them to go home.

Advancing rebels, meanwhile, tightened their grip on what remains of the rump government, battling its forces near the northwest garrison town, Ruhengeri, overnight and driving thousands of terrified civilians westward.

Journalists returning from Ruhengeri on Sunday said the rebel forces of the Rwandan Patriotic Front were trying to

penetrate the town from several fronts and that mortar shells had sent 400,000 refugees in camps fleeing for safety.

The rump government's prime minister, Jean Kamukama, told a news conference on Saturday that his army had run out of ammunition and faced defeat by the rebels, who could capture the town at will.

The Red Cross estimates that more than 500,000 Rwandans were killed after President Juvénal Habyarimana's plane was shot down on April 6. Most were minority Tutsis killed by government militias.

The Tutsi rebels, who had signed a cease-fire with the government in June, immediately launched a new offensive. Within three months, they overran the

capital and forced government troops back to the western border with Zaire.

After capturing the capital July 4, the rebels moved most of the population, Hutu and Tutsi alike, into emergency internment centers where thousands had already taken shelter.

Mr. Bihuzogera said the government to be named by Mr. Twagiramungu would be broad-based and include representatives of all of Rwanda's major political parties.

A top priority now, he said, was to rush emergency aid to the 3 million Rwandans forced out of their homes.

Another 2 million Rwandans, more than a quarter of the population of 7.4 million, are unaccounted for, the Red Cross said. (AP, Reuters)

North Says Its Forces Control All Of Yemen

The Associated Press

SANA'A, Yemen — Government forces expanded their control over the whole of Yemen on Sunday after the remainder of southern secessionist forces fled to neighboring countries, the Defense Ministry said.

Forces of the northern-based government began withdrawing from the former southern stronghold of Aden, a ministry spokesman said.

The northern government of Ali Abdullah Saleh proclaimed victory last Thursday in the nine-week civil war after the city fell and separatist leaders fled the country.

The spokesman said remnants of the southern secessionist army had evacuated the town of Sayun, one of the main cities in the eastern province of Hadramaut, and also left Mahrah Province.

The southerners headed across the border to Saudi Arabia and Oman or across the Bab al Mandab strait to Djibouti. They took some aircraft, navy boats and other military equipment with them.

San'a has asked its neighbors to return the matériel, the spokesman said.

General Saleh also met with the Saudi ambassador, Ali Qufaidai, to hand over a message to King Fahd calling for "good neighborly relations and cooperation," an official announcement said. The north had accused Saudi Arabia and the Gulf states of providing financial backing to the secessionists.

The official Yemeni media last week announced a pardon for all who fought against the northern-based government, excluding the southern leader, Ali Salem Baid, and 15 of his top aides.

About 3,000 southern prisoners of war have been released.

Arafat Visits Saudi King

Reuters

RIYADH — Yasser Arafat, the Palestinian Liberation Organization leader, arrived Saturday in Jidda on a 24-hour visit for talks with King Fahd, Palestinian sources said.

Voting With an Eye on Russia

Closer Ties to Moscow Are Seen for Ukraine and Belarus

By Steven Erlanger
New York Times Service

MOSCOW — Ukraine and Belarus chose presidents Sunday in elections that have been dominated by debates about relations with Russia.

The outcomes, which are likely to produce a tighter core of Slavic post-Soviet states, are being closely watched in Washington and Europe, where con-

cern over Russian neoinperialism is growing.

Ukraine and Belarus, with Russia, make up the Slavic heartland, and many Russians, at least, have a difficult time drawing these new sovereign borders in their heads.

But it was the leaders of Russia, Belarus and Ukraine who together broke up the Soviet Union when they met in Minsk

in December 1991 and decided on independence.

While Ukraine and Belarus have had brief periods of sovereignty in the past, the question of independence is much sharper in Ukraine, where the more nationalist western half of the country was Sovietized only after World War II.

Still, both Ukrainian candidates — Leonid M. Kravchuk, the nationalist-backed incumbent and former Communist Party ideology secretary, and Leonid D. Kuchma, a former prime minister from eastern Ukraine — say they will work for closer economic and political ties to Russia.

But with weak economies and currencies, Ukraine and Belarus are looking toward friendlier, more privileged banking and trade relations with Russia.

In Belarus, both candidates called for economic union with Russia, while one calls for the re-creation of the Soviet Union. The conservative prime minister, Vyacheslav F. Kebich, maneuvered to create the post of president so he could fill it. But he was humiliated in the first round by the strong populist showing of Alexander Lukashenko, who won 44.8 percent of the vote to Mr. Kebich's 17.3.

Mr. Lukashenko, 39, calls for fixed prices, no privatization, a ban on private ownership of land and an end to inflation. Mr. Kebich, 59, seems stunned by the popular anger and, like Mr. Kuchma in Ukraine, has found little benefit from Moscow's open political support.



Ukrainian national guardsmen at a polling station in Kiev.

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POLITICAL NOTES

Special Prosecutor Spurns Congress

WASHINGTON — Robert B. Fiske Jr., the Whitewater independent prosecutor, has rebuffed a congressional committee that asked him to testify later this month about some of the issues he is investigating.

Mr. Fiske declined an invitation to testify before the House Banking Committee. The committee's chairman, Henry B. Gonzalez, Democrat of Texas, released his correspondence with the prosecutor.

In a letter to the committee, Mr. Fiske wrote: "I believe it would be inappropriate and would compromise my ability to function effectively as an independent counsel if I were to appear before Congress to answer questions about my investigation while a major part of it is still going on."

In a separate letter to Mr. Gonzalez, Mr. Fiske discouraged congressional testimony by some Clinton administration officials on the grounds that their appearance could compromise his criminal inquiry. Among the officials that Mr. Fiske said could be involved in his inquiry were two former senior officials at the Justice Department, Philip B. Heymann, the former deputy attorney general, and Webster L. Hubbell, the former associate attorney general. (NYT)

Undoing a Concession on Air Quality

WASHINGTON — The Clinton administration has moved to overturn one of the biggest concessions President George Bush gave industry during its fierce battle with environmentalists over enforcement of the 1990 Clean Air Act.

In a controversial 1992 decision, Mr. Bush eased the rules under which industries could expand their operations even if the expansion would result in higher levels of emissions than allowed by the permits they had obtained.

During the debate over the issue, environmentalists favored a provision that would have permitted the public to challenge changes in industrial emissions before any expansion could proceed.

But the White House Competitive Council, under the leadership of Vice President Dan Quayle, argued that such a rule would stymie industrial growth and hamper attempts to bring the country out of recession.

The Environmental Protection Agency administrator, Carol M. Browner, has proposed a rule requiring a period of public comment on potential increases in emissions whenever businesses apply to expand operations. The rule, which would take effect after a 90-day comment period, would overturn Mr. Bush's earlier decision. (WP)

Clinton's AIDS Official Quits Under Fire

WASHINGTON — President Bill Clinton's chief AIDS policy officer, Kristine M. Gebbie, submitted her resignation after a rocky 11-month tenure.

Her departure had been rumored for weeks. Advocates for people with AIDS had been unhappy with Ms. Gebbie ever since she was named and it became clear that she would not be the sort of high-profile administrator in the AIDS battle that the Clinton campaign had promised.

Experts on AIDS policy said that Ms. Gebbie, a former health commission in the state of Washington, had been hampered by the ill-defined nature of her job. And while they credited her with good intentions, they said her lack of political savvy had prevented her from making something of a job with little authority.

The budget for AIDS care and research has increased substantially under Mr. Clinton, and prevention programs are being completely reorganized. Those were two of the major demands that groups active on behalf of people with AIDS and HIV, the virus that causes AIDS, made before Mr. Clinton's election. But Ms. Gebbie was seen as having little to do with those developments. (NYT)

Quote/Unquote

President Clinton, after noting that no foreign visitors had been asked to attend Kim Il Sung's funeral: "If they were inviting foreign dignitaries to the funeral or receiving them, I would certainly send someone there." (AP)

On Campaign Trail, Mum's the Word on Clinton Health Plan

By Richard L. Berke
New York Times Staff Writer

SAN BERNARDINO, California — Health care may be at the top of President Bill Clinton's agenda, but at least for now it has sunk near the bottom as an issue on the campaign trail.

With voters saying they consider crime and the economy more pressing, and with congressional debate mired in complicated and contradictory health insurance bills, most incumbents surveyed around the country barely gave health care a nod as they campaigned back home during the Fourth of July recess last week.

Virtually no Democrats made a point of publicly embracing Mr. Clinton's embattled proposal. And even some of the physicians running for office have abandoned health care as their driving issue.

In California, the state with the second-highest ratio of uninsured people to total population, Senator Dianne Feinstein, a Democrat seeking re-election, spent her time not on health care but on events geared to the crime issue, which carries none of health care's political risks.

"Violence is the No. 1 issue in the state of California today," Ms. Feinstein said in an interview. "Next to that, I would have to say people are worried about whether they have a job today, and at the end of the year."

The current absence of any public passion on health care is bad news for the White House, threatening to diminish the president's ability to pressure lawmakers to meet his line-item demand for universal coverage and his proposal for some form of requirement that employers pay for it.

Beyond that, many advocates of a health-care overhaul believe, the silence could jeopardize efforts to reach consensus on a compromise.

Backers of the president's proposal predict that interest will be rekindled when the issue advances to the House and Senate floors later this summer and the nation begins to focus on specific legislation.

Their best hope, they say, is that incumbents of both parties will realize that health care's political risk is double-edged: that, although they may be attacked for backing a given proposal, they are also liable to be



Mr. Simpson's children from his first marriage, Jason, left, and Amelle, after visiting their father, who turned 47 Saturday.

A Tougher Test Awaits in Simpson Case

By Michael Janofsky
New York Times Staff Writer

LOS ANGELES — For all its drama and sensation, the six-day hearing that persuaded a municipal court judge to order O.J. Simpson arraigned on two charges of first-degree murder was a breeze for prosecutors. They only had to demonstrate that a crime had been committed and that Mr. Simpson was the likely assailant.

Now, the prosecuting becomes harder. To win a conviction in Superior Court, the district attorney's office will have to meet a much higher standard

of proof in trying to persuade a jury of 12 people beyond reasonable doubt that Mr. Simpson killed his former wife, Nicole Brown Simpson, and her friend, Ronald L. Goldman, by stabbing them to death.

For now, it is virtually impossible to know how a trial will play out if Mr. Simpson, the actor and former football star, holds to his plea of not guilty and his alibi that he was at home asleep when the murders occurred outside Mrs. Simpson's town house on the night of June 12.

In the preliminary hearing, prosecutors presented only a bare-bones case, built largely on circumstantial evidence, offering a single drop of blood as the strongest link between Mr. Simpson and the murder scene.

And Mr. Simpson's lawyers, knowing it was unlikely that they would prevail at the hearing, had no need to reveal the strength of their defense.

In any event, many legal experts say cases layered with circumstantial evidence are not only challenging for prosecutors, they are also the most difficult to defend.

"You can always find ways to impeach a witness or an expert," said Gerald L. Chaffetz, a prominent defense lawyer in Los Angeles not involved with the case. "But a case with lots of circumstantial evidence gives you no one thing to attack. It all piles up against you."

The district attorney's office has been building the pile since the victims' bodies were discovered. In arguments at the hearing before Judge Kathleen Kennedy-Powell, prosecutors relied

mostly on blood-stained items, testimony that demonstrated Mr. Simpson had had the time to carry out the killings and the lack of any witness to say he was elsewhere at the time.

But the prosecutors' case in the hearing was presented without several key components that could cause problems at the trial. Any jury, Mr. Chaffetz said, might be reluctant to convict a well-known and once-respected celebrity on such serious charges — let alone, send him to his death — without seeing a murder weapon, hearing from an eyewitness or understanding why Mr. Simpson could have committed such a brutal crime.

Despite testimony from two dozen witnesses in the preliminary hearing, prosecutors did not offer any evidence that the knife believed to have been used in the killings. Nor did they call to the stand anyone who had witnessed the killings or who could explain why Mr. Simpson might have been involved.

AMERICAN TOPICS

Why Experts of U.S. Statecraft Neglect the World of Religion

Religion has been systematically neglected as a factor in international affairs, according to the Center for Strategic and International Studies, a Washington research institution with a reputation for harboring tough-minded scholars and diplomats.

These experts contend that policymakers, diplomats, strategists and journalists focus on economic assets, military forces and social and political rivalries while scarcely noting the role of religion. When a Central Intelligence Agency analyst proposed an examination of the leading religious leaders in Iran when the shah was still on the Peacock Throne, the idea was rejected as irrelevant. And so the ayatollahs went largely unnoticed.

In "Religion: The Missing Dimension of Statecraft," a collection of studies that Oxford University Press will publish next month, the center's scholars say one reason religion is slighted in U.S. statecraft is the principle of the separation of church and state and the resulting tendency of American culture to relegate religion to the realm of the personal.

A second reason is the school of realism, which emphasizes the primacy in international relations of "national interest" defined in terms of power and material advantages rather than ideals.

Henry Kissinger's new book, "Diplomacy," a vast realist study of politics and diplomacy, contains no entry for religion, Christianity, Judaism or Islam. Nor does it contain any entry for Mohandas K. Gandhi, Martin Luther King Jr. or Pope John Paul II.

Short Takes

The Baltimore police department has installed a \$10 million automated booking system to process the 70,000 arrests made each year. The system is designed to cut at least a half-hour from the time it takes to process

each incoming prisoner, and to free at least 100 policemen for other duties. The computer retrieves criminal records, tells jailers if prisoners are violent, HIV-positive or suicidal, and takes a video mug shot. Prisoners are electronically fingerprinted by rolling their fingertips across a glass screen. The computer then checks for previous priors.

A bucket full of water and ice cubes is the fastest way to chill a bottle of wine, Frank J. Priol notes in the New York Times. It can take three times as long if the water is simply put in the refrigerator's freezer compartment. "Air is a poor conductor of heat," Mr. Priol notes. "And even with the ice, much of the space around the bottle is taken up by air. It's a common error. Many waiters never bother to add water to an ice bucket. Some insist it's not necessary. It is."

Another New York Times writer, Dan Shaw, notes somewhat sadly that the standard greeting on the New York party circuit, which saves the greeter from remembering whether he or she has met the person greeted before, is "Nice to see you" instead of "Nice to meet you" or "How do you do?" This obviates the possibility of a faux pas but "makes people sound like politicians trying to win your favor, which, in a way, many of them are."

Cats that fall five to nine stories are often killed or seriously injured, while cats that fall farther often emerge barely harmed, according to a study conducted by New York's Animal Medical Center and New York University. The veterinarians and physicists found that the average cat reaches a "terminal velocity" of 60 miles (100 kilometers) per hour at five stories; from then on, it falls no faster. But after nine stories, cats manage to get into a position that somehow cushions the impact of landing.

Back in 1908, Fred Tenney, a first baseman for the New York Giants, stole second base in a game against the St. Louis Cardinals. Then, impudently, he ran back to first on the next pitch. On the following pitch he again stole second. The umpires huddled but could find no rule prohibiting a steal in reverse. Reverse stealing subsequently was declared illegal. (International Herald Tribune)

A New U.S. Realism on Haiti

Junta's Ouster Would Not Be Enough to Restore Aristide

By Walter Pincus
Washington Post Staff Writer

WASHINGTON — Although the Clinton administration has stressed the need to replace Haiti's top three military leaders, it recognizes that their ouster would not be enough to end the violence and restore exiled President Jean-Bertrand Aristide.

Instead, the administration accepts long-held CIA analyses that the real power in Haiti, and most of the violence, can be traced to the lower ranks of the Haitian military: the noncomm-

unistic or right-thinking military leaders who will go along with an Aristide-type government or its equivalent, and hoping that the rest of the military will follow," one of the sources said.

It is not clear there are such officers, or if there were, that they could overcome resistance from the rest of the Haitian armed forces. But the administration has few options, given the structure of the Haitian military.

President Bill Clinton and his chief spokesmen have made a focus of their Haitian policy the need to remove the military troika that leads the country: Lieutenant General Raoul Cédras, the commander in chief; Brigadier General Philippe Bédigian, the army chief of staff; and Lieutenant Colonel Michel François, the police chief of Port-au-Prince and the region's military commander.

Mr. Clinton has threatened indirectly to use military force to oust the dictatorship if economic sanctions fail to do so.

But the administration is "under no delusions that this

alone will solve the problem," a source close to the White House said.

R. James Woolsey Jr., director of central intelligence, has stressed to Clinton policymakers a "long-held" intelligence community view that "removing these guys and reintroducing Aristide would not change the violence," an official said.

Some of the CIA's past reporting on Haiti has caused controversy in Congress, particularly a report that was highly critical of Father Aristide. But the administration accepts the agency's views on the Haitian military.

One CIA official compared the Haitian military to a "group of quasi-organized extortion groups" that rule the countryside as they have done for years.

"It's king of the hill in a violent system," he said. If Father Aristide returns, this official added, "They fear for their lives and fortunes."

In a sign of the strength of the lower ranks, a senior U.S. intelligence official said General Cédras was "brought along" when the lower-ranking cadres revolted in 1991 against Father Aristide.

Recognition of the makeup and important role of the Haitian military in that country's society, as portrayed in the CIA analyses, has vastly complicated planning to meet the current situation.

Given the intelligence assessment, the administration has refused so far to approve any new covert action by the CIA designed to buy off General Cédras and the other two military leaders. There also is no current support for promotion of a military coup against the Haitian leaders.

What is being called the worst flooding in Georgia and parts of Alabama and north Florida in this century has cost at least 24 lives in the last week. Five persons are missing after heavy rain from a stalled tropical storm pushed dozens of usually tranquil rivers and creeks over their banks.

Young blacks at the NAACP convention in Chicago are sending a message to their elders: Stop complaining about the evils of white society and start looking within. "We can't blame another race for our problems," said Angel Walters, 17, of Pasadena, California, one of hundreds of black teenagers competing for writing and artistic awards at the 85th annual National Association for the Advancement of Colored People convention.

Governor Mario Cuomo's administration has given the green light to New York City and two suburban counties to take electronic fingerprints of some welfare recipients in an effort to fight fraud, as long as local governments pay a share of the cost and follow state regulations.

AP, LAT, NYT

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Herald Tribune

'Great Leader' Ruled Alone

Kim Il Sung Made All Decisions, Including a Costly War

By David E. Sanger
New York Times Service

TOKYO — Kim Il Sung, the man who launched the Korean War, leading to the deaths of hundreds of thousands, is dead.

The official North Korean press agency, KCNA, issued a seven-page announcement of President Kim's death, stressing that he would be remembered as a man capable of "creating something from nothing."

"He turned our country where age-old backwardness and poverty had prevailed into a powerful Socialist country, independent, self-supporting and self-reliant," the statement said. It called him the "sun of the nation."

Mr. Kim, 82, revered throughout the country as the "Great Leader," is reported to have collapsed with a heart attack Thursday. He died early Friday, according to a broadcast by Pyongyang radio.

The news agency said his son and heir apparent, Kim Jong Il, would direct the funeral of his father.

Mr. Kim, who was North Korea's leader since 1945, was a reclusive, apparently healthy, during talks June 15-16 with President Jimmy Carter in which he agreed to freeze North Korea's

nuclear program in return for restarting high-level talks with the United States over an end to the country's five-decade-long isolation.

Mr. Carter said last week that Mr. Kim told him at the time that he planned to "remain active for the next 10 years."

For half a century, North Korea has been essentially a family business headed by Kim Il Sung, whose image is captured in monuments in every town and who is credited, in the national mythology and in song, with the country's creation and development.

His cult of personality is everywhere, celebrated in "mass games" on his birthday that involve hundreds of thousands, and in the everyday invocation of his philosophy of *juche*, or national self-reliance.

Years ago, in an attempt to create something of a Stalinist dynasty, Mr. Kim designated his son, known as the "Dear Leader," as his successor.

But there have been persistent doubts over whether the younger Mr. Kim, a reclusive and deeply mysterious man who, according to Western intelligence reports, may not be mentally stable, would win the

confidence of the North Korean military.

Many analysts have speculated that the death of the elder Mr. Kim would touch off a power struggle and perhaps a crumbling of the country's Communist government.

But such a process could take years. There is little understanding of the country's leadership elite beyond the elder Mr. Kim, who has been widely regarded as the only man able to make major decisions for the country.

With the nation's economy shrinking and its factories grinding to a halt, Mr. Kim's "Paradise on Earth," as his propaganda machine calls it, seems headed toward collapse.

Its nuclear program, which may or may not have already succeeded in producing one or two weapons, has in the past two years become the biggest security crisis in Asia.

Mr. Kim was installed by Stalin shortly after the end of World War II.

Born on the outskirts of Pyongyang, in a thatched house that is visited daily by thousands of North Koreans, he spent nearly 20 years of his youth in Manchuria, the North Korean border area and the Soviet Union as a guerrilla fighter against the Japanese.

Shortly after the official creation of the Democratic People's Republic of Korea in 1948, he consolidated his power.

He launched the Korean War in 1950, in a blitzkrieg attack that took Washington and Seoul by total surprise. His goal, he said, was to reunite the Korean Peninsula, and it took three years to fight to an armistice.

Since then the Demilitarized Zone dividing North and South has been the most heavily armed outpost of the Cold War, and 36,000 American troops are still stationed near it.

For years it appeared that his country would be the stronger of the two Koreas: It had all the raw materials and, until the early 1960s, a healthier economy. But that reversed as the capitalist South, with aid from the United States and Japan and a population of 42 million — compared to 22 million in the North — surged ahead as a producer of steel, cars and semi-conductors.

The North, diplomatically isolated, went into slow decline, increasingly dependent on China and the Soviet Union for oil and critical industrial goods.

Its own industrial base was left over from the Japanese occupation, save for some major projects that President Kim was credited with directing with "on the spot guidance."

With the end of the Cold War, however, Mr. Kim was quickly abandoned by his allies. Russia embraced the South, eager for its aid and technological help.

China also opened relations with Seoul, and Mr. Kim, on periodic trips to Beijing, was greeted with airport signs for *Sansung*, the huge South Korean conglomerate. Recently, South Korean leaders began visiting Moscow and Beijing regularly.

To save his regime, Mr. Kim turned to the nuclear option. He developed a small reactor at Yongbyon, a heavily guarded military installation north of the capital, into a sprawling nuclear complex.

While he signed the Nuclear Nonproliferation Treaty in 1985, he refused to allow inspectors into his country until two years ago. And since that time, he has conducted an increasingly tense cat-and-mouse game with the United Nations and the United States, keeping inspectors at bay.



Kim Il Sung, left, the North Korean leader who died Friday, and his son, Kim Jong Il, shown in a 1992 photograph.

Kim's Son: Bizarre Tales but Few Facts

By Andrew Pollack
New York Times Service

TOKYO — Kim Jong Il, the man who is expected to be the next leader of North Korea, has been described as a ruthless terrorist, a spoiled playboy and an erratic manager who will have trouble keeping control of his country.

But perhaps the only thing that can be said with certainty about him is that very little is known about him.

Most foreign visitors to North Korea, including former President Jimmy Carter on his recent trip, have been turned down when they asked to meet Kim Jong Il, 52, who has been groomed for two decades to take over from his father, Kim Il Sung, who died Friday.

They are generally told that he is out in the villages working with peasants or that it would be impolite for Mr. Kim to upstage his father.

Even North Koreans, while worshipping the younger Kim as the "Dear Leader" and putting pictures of him in their homes, had never heard his voice until two years ago.

Some analysts say that Mr. Kim has

had effective day-to-day control of the government for about two years.

He was suspected of being behind North Korea's move last year to withdraw from the Nuclear Nonproliferation Treaty, which precipitated the long-running crisis. If that was the case, he might not be amenable to giving up the nation's reputed attempts to develop nuclear weapons.

But Selig Harrison, senior associate at the Carnegie Endowment for International Peace, said that he believed Mr. Kim is interested in gradually opening North Korea to foreign investment and industry.

"People who are close to Kim Jong Il are generally what you would call the reformist element in North Korea," Mr. Harrison said.

If he does assume power, it is a big question how long he can keep it. Mr. Kim is usually described as erratic and impulsive and far less capable than his father, who ruled North Korea for half a century.

Pudgy and bespectacled, he is also considered less charismatic than his fa-

ther, respected perhaps, but not revered, as was Kim Il Sung.

There are reports that North Korea's military is not happy with having to back Mr. Kim.

"Kim Jong Il does not have the backing of the North Korean military because he does not have a military background," said Ra Jong Yi, a professor at Kyung Hee University in Seoul.

But some analysts think Mr. Kim might be given a chance to run the country, although he might have to share some power with other groups.

Mr. Kim was born on Feb. 16, 1942, probably in the Soviet Union, where his father was fighting with the Soviet Army. Perhaps because it is not fitting for a nation's leader to have been born abroad, the official North Korean biography says Mr. Kim was born in a secret camp of anti-Japanese guerrillas on Mount Paekdo, a sacred mountain in North Korea.

Kim Jong Il's stepmother, Kim Song Ae, who attended some of the meetings between Kim Il Sung and former President Carter, is viewed as the younger Kim's rival for power.

Death Is a Blow To U.S. Initiative On Nuclear Arms

By Jim Mann
Los Angeles Times Service

GENEVA — The death of President Kim Il Sung could not have come at a worse time for the United States in its efforts to stop North Korea from acquiring nuclear weapons.

It means that the leadership in Pyongyang will be struggling to sort out its internal politics over the next crucial months, just when North Korea is facing major decisions about the future of its nuclear program, about the disposal of highly radioactive nuclear fuel and, more generally, about its relations with the rest of the world.

If Mr. Kim's eldest son, Kim Jong Il, emerges in control in Pyongyang, he will usher in the world's first Communist

NEWS ANALYSIS

dynasty. No other Communist leader ever passed on power from parent to child. At the very least, that means months of uncertainty for the United States.

"Even if Kim Jong Il takes the reins of power, we won't know for a while how solid his leadership is or whether he will last," said Leonard Spector, a nuclear specialist at the Carnegie Endowment for International Peace. "Clearly, there's a faction in Pyongyang that wants to push this forward," he added, referring to North Korea's nuclear weapons program. And so it may be one of history's unending ironies that Mr. Kim's death is being greeted by the United States with more than a little regret.

When President Bill Clinton, at the Group of Seven economic summit meeting in Naples, expressed "sincere condolences" to the people of North Korea, it was more than mere politeness. The North Korean leader, who has been viewed since the beginning of the Cold War as one of America's leading adversaries, became in his final days the man with whom U.S. policymakers hoped to make a deal.

True, Mr. Kim had fought one bloody war against the United States and its South Korean allies and opposed U.S. policy in Asia for more than four decades. But he was considered the only one in Pyongyang with the unchallengeable authority needed to cut off North Korea's developing nuclear weapons program before it destabilized all of East Asia.

Consider the plight the United States and its principal allies in the region, Japan and South Korea, now find themselves in: Talks in Geneva between the United States and North Korea about the nuclear program were temporarily halted Saturday, a day after they had started. North Korean negotiators apparently found out about Mr. Kim's death when a U.S. official woke up one of his counterparts in the early morning hours and told him to turn on CNN.

Even if the talks start up again, they may not go anywhere for a while. Mr. Kim's death means that North Korea could well have either erratic leadership under Kim Jong Il or an unstable or paralyzed leadership over the next few months.

Meanwhile, thousands of highly radioactive nuclear fuel rods are cooling off in pools alongside North Korea's 25-megawatt nuclear reactor at Yongbyon. Something has to be done with them within the next few months before they begin to corrode. If arrangements are not made for the disposal of this spent fuel, as the United States hopes to do in the Geneva talks, then the rods could well be turned into weapons-grade plutonium at North Korea's reprocessing plant.

Even if the immediate crisis involving the fuel rods is resolved, the new North Korean leadership will have to be persuaded to give up its other nuclear installations, including a reprocessing plant and a 200-megawatt reactor now under construction at Yongbyon, which could produce enough plutonium for eight to 10 nuclear weapons a year.

In the face of these gloomy prospects, what hope does the Clinton administration have for peacefully defusing the North Korean crisis?

First, it is at least theoretically possible that Kim Jong Il may turn out to be something less than the demon that Western intelligence agencies have depicted.

A second possibility for a peaceful resolution of the nuclear crisis is that someone else in Pyongyang may take over the reins of power. This scenario, however, carries its own dangers. Korean history is full of examples of bloody power struggles and coups.

KOREA: Pyongyang Summons Leaders for a Mass Meeting on Monday

Continued from Page 1

Chosun Ilbo. "However, once the father is buried, he will no longer be able to control history. History will record that Kim Il Sung was the last Communist dictator."

South Korea was calm and official commentary was reserved, despite the fact that

Kim Il Sung caused the deaths of millions of Koreans when he launched the Korean War, and ordered countless guerrilla and terrorist attacks against the South over the decades. South Korea's government urged its citizens not to do anything that might provoke the unpredictable North during a period of uncertainty.

South Korean officials said they expected the North-South

summit meeting that had been scheduled for July 25 to be postponed because of Kim Il Sung's death. But President Kim Young Sam of South Korea said he hoped the meeting would go ahead, and that he would be willing to meet Kim Jong Il or any other leader designated by the North to attend the session.

REACTION: U.S. Stresses Need for Vigilance Amid Uncertainty in Korea

Continued from Page 1

would have to give up their nuclear intentions.

The nuclear issue is at the center of a long crisis that recently-canceled talks in Geneva between the United States and North Korea were intended to resolve.

It also is a question that preoccupies the broader international community, as was shown Sunday by the Group of Seven industrial democracies in a joint statement at the end of their annual summit meeting here.

The seven, joined by Russia, urged North Korea to restore international safeguards and to "provide total transparency in its nuclear program through full and unconditional compliance with its nonproliferation obligations."

The leaders specifically demanded that North Korea maintain "the freeze on its

nuclear program, including no reprocessing spent fuel or reloading its nuclear reactors."

The G-7 statement appealed for negotiations with the United States, which were suspended in Geneva on Friday after news that Mr. Kim died, to continue as soon as possible. The statement also called for a meeting between the leaders of North and South Korea to proceed as scheduled.

The planned North-South summit conference and the Geneva meeting resulted from talks in Pyongyang last month between President Kim and former President Jimmy Carter of the United States.

Speaking to reporters in Naples on Saturday, President Bill Clinton said North Korea had indicated to the South that the first meeting ever between leaders of the divided peninsula would go ahead as planned on July 25. But on Sunday the White House backed away from that state-

ment when a senior official acknowledged that there had been "no formal" contact between North and South.

Many analysts agree that the younger Mr. Kim has long been the principal figure in charge of his country's nuclear activities, including an alleged decision to produce enough plutonium from 1989 to 1992 for one to two nuclear weapons.

He also is said to have defied United Nations threats of economic sanctions by approving the withdrawal, without international observation, of fuel rods from a nuclear reactor.

Assistant Secretary of State Robert L. Gallucci, referring to the nuclear issue in a television interview on Sunday said: "There is a great deal of uncertainty about exactly what course North Korea will follow in the future. But we do have reason to believe there will be a basis of continuity on this issue." (AP, WT, Reuters, AFP)

China Set To Appoint Hong Kong Executive

Agence France-Press

HONG KONG — China plans to appoint a shadow chief executive for Hong Kong who would be ready to take over immediately on July 1, 1997 and replace the colony's senior civil servants with Beijing-approved appointees, according to Foreign Minister Qian Qichen of China.

The new chief executive apparently would assume the duties of the colony's British-appointed governor.

Mr. Qian said Beijing's preparatory committee agreed that only "leading officials" of the Hong Kong bureaucracy would be placed, and that a new chief executive must be selected before the 1997 turnover.

"Civil servants will play an important role in the transfer of power and smooth transition," Mr. Qian said, according to the official Xinhua news agency.

He added that the colony's existing laws would remain "essentially unchanged."

The civil service will guarantee a smooth transition as the territory reverts to Beijing's control in 1997, said Mr. Qian, who heads a select group preparing the framework for the Hong Kong Special Administrative Region. He said Saturday that "our own efforts" will ensure an orderly turnover from the British, Xinhua reported.

"So long as China is prospering, Hong Kong's stability will have a reliable guarantee, which will create good conditions for the transfer of power and smooth transition," he said.

The Chinese economy has posted the world's highest economic growth rates in recent years, with zones near Hong Kong leading the charge.

Mr. Qian, speaking after a plenary session of the preparatory committee, reiterated Beijing's stand that Hong Kong should gradually develop a democratic political system in line with its specific conditions.

He said it was "necessary and reasonable" to encourage the return of Hong Kong residents who have moved abroad.

Christopher Is Set To Meet With Hanoi Official

New York Times Service

HANOI — Secretary of State Warren M. Christopher is scheduled to meet with the Vietnamese foreign minister in Bangkok this month, according to senior Vietnamese officials. The meeting would be the first of its kind since the Communist victory in Vietnam in 1975.

Deputy Foreign Minister Le Mai, who oversees relations with the United States, declined to confirm formally that the meeting was set. But he said in an interview, "I think there is a high possibility."

Mr. Christopher and Foreign Minister Nguyen Manh Canh of Vietnam will be in the Thai capital to attend talks among 18 nations on security matters after the annual foreign ministers' meeting of the Association of South East Asian Nations.

The high-level Vietnamese-U.S. meeting was arranged during a visit to Hanoi earlier this month by Assistant Secretary of State Winston Lord and Hansel W. Guber, the deputy secretary of veterans affairs.

Questions Raised on Death Of North Korean Leader

Washington Post Service


SEOUL — Observers of North Korea said that while the official cause of Kim Il Sung's death at 82 was heart failure, foul play could not be ruled out.

"It's probably most likely this was a heart attack," said Kim Chang Sook, director of South Korea's Institute for North Korean Studies.

"One suspicious point is North Korea's statement that no foreigners will be allowed to attend the funeral," something unimaginable for a man who loved foreign visitors, he said.

CALLING ONE FOREIGN COUNTRY FROM ANOTHER IS NO SECRET WITH THESE SIMPLE ACCESS CODES.

COUNTRIES	ACCESS NUMBERS	COUNTRIES	ACCESS NUMBERS	COUNTRIES	ACCESS NUMBERS	COUNTRIES	ACCESS NUMBERS
AFRICA		ASIA		EUROPE		MIDDLE EAST	
Algeria	002-12	Australia	622-1000	Austria	1-800-877-8800	Israel	00972-1-677
Angola	002-24	Bahrain	00965-1-10	Belgium	1-800-877-8800	Jordan	00962-1-677
AMERICAS	0-800-99-0001	Brunei	1-800-877-8800	Bulgaria	1-800-877-8800	Kuwait	00962-1-677
Argentina	001-800-777-1111	Canada	1-800-877-8800	Czech Republic	1-800-877-8800	Lebanon	00962-1-677
Armenia	0037-777-1111	Chile	1-800-877-8800	Denmark	1-800-877-8800	Lithuania	00370-1-677
Australia	0061-61-1111	China	0086-10-1111	Egypt	0020-2-1111	Malaysia	0060-3-1111
Bahamas	001-800-777-1111	Colombia	0057-1-1111	Finland	1-800-877-8800	Mexico	0052-5-1111
Bangladesh	00880-2-1111	Costa Rica	00506-2-1111	France	1-800-877-8800	Nicaragua	00505-2-1111
Barbados	001-800-777-1111	Cuba	0053-7-1111	Germany	1-800-877-8800	Paraguay	00595-2-1111
Belize	00501-2-1111	Cyprus	00357-2-1111	Greece	1-800-877-8800	Peru	0051-1-1111
Bhutan	00975-2-1111	Dominican Republic	001-800-777-1111	Hungary	1-800-877-8800	Puerto Rico	001-800-777-1111
Bolivia	00591-2-1111	Ecuador	00593-2-1111	Ireland	1-800-877-8800	Romania	0040-1-1111
Brazil	0055-11-1111	El Salvador	00503-2-1111	Italy	1-800-877-8800	Russia	007-8-1111
Bulgaria	00359-1-1111	Guatemala	00502-2-1111	Japan	1-800-877-8800	Saudi Arabia	00966-1-1111
Cameroon	00237-1-1111	Haiti	00509-2-1111	Korea	1-800-877-8800	Senegal	00221-1-1111
Canada	1-800-877-8800	Honduras	00504-2-1111	Kuwait	00962-1-677	Sierra Leone	00232-1-1111
Chile	0056-2-1111	Iceland	00354-1-1111	Lebanon	00962-1-677	South Africa	0027-11-1111
China	0086-10-1111	India	0091-11-1111	Lithuania	00370-1-677	Spain	0034-9-1111
Colombia	0057-1-1111	Indonesia	0062-2-1111	Malaysia	0060-3-1111	Sweden	0046-8-1111
Costa Rica	00506-2-1111	Japan	1-800-877-8800	Mexico	0052-5-1111	Switzerland	0041-1-1111
Cuba	0053-7-1111	Korea	1-800-877-8800	Nicaragua	00505-2-1111	Taiwan	00886-2-1111
Cyprus	00357-2-1111	Kuwait	00962-1-677	Paraguay	00595-2-1111	Thailand	0066-2-1111
Dominican Republic	001-800-777-1111	Lebanon	00962-1-677	Peru	0051-1-1111	Turkey	0090-3-1111
Ecuador	00593-2-1111	Lithuania	00370-1-677	Puerto Rico	001-800-777-1111	Ukraine	00380-2-1111
El Salvador	00503-2-1111	Malaysia	0060-3-1111	Romania	0040-1-1111	United Kingdom	0044-1-1111
Guatemala	00502-2-1111	Mexico	0052-5-1111	Russia	007-8-1111	United States	1-800-877-8800
Haiti	00509-2-1111	Nicaragua	00505-2-1111	Saudi Arabia	00966-1-1111		
Honduras	00504-2-1111	Paraguay	00595-2-1111	Senegal	00221-1-1111		
Hungary	1-800-877-8800	Peru	0051-1-1111	Sierra Leone	00232-1-1111		
Iceland	1-800-877-8800	Puerto Rico	001-800-777-1111	South Africa	0027-11-1111		
India	1-800-877-8800	Romania	0040-1-1111	Spain	0034-9-1111		
Indonesia	1-800-877-8800	Russia	007-8-1111	Sweden	0046-8-1111		
Iran	0098-2-1111	Saudi Arabia	00966-1-1111	Switzerland	0041-1-1111		
Israel	00972-1-677	Senegal	00221-1-1111	Taiwan	00886-2-1111		
Italy	1-800-877-8800	Sierra Leone	00232-1-1111	Thailand	0066-2-1111		
Japan	1-800-877-8800	South Africa	0027-11-1111	Turkey	0090-3-1111		
Jordan	00962-1-677	Spain	0034-9-1111	Ukraine	00380-2-1111		
Korea	1-800-877-8800	Sweden	0046-8-1111	United Kingdom	0044-1-1111		
Kuwait	00962-1-677	Switzerland	0041-1-1111	United States	1-800-877-8800		
Lebanon	00962-1-677	Taiwan	00886-2-1111				



Herald Tribune

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North Korean Transition

Reassure the Successor

Kim Il Sung's death comes at a critical moment, just days after he had personally eased mounting tensions over North Korea's nuclear program by moving to resume talks with the United States. President Bill Clinton struck the right note, expressing appreciation for Mr. Kim's role in recent days and reassuring the North that he wants a continuing and "personal" dialogue with his successor after an appropriate hiatus to mark Mr. Kim's passing. A delay poses no risk, with international inspectors in place to assure that the North's nuclear freeze remains in force. Washington can only hope that the son and heir apparent, Kim Jong Il, will follow in his father's footsteps and choose negotiation over confrontation.

The legitimacy of North Korea's regime is critical to resolving the nuclear question. Founding father Kim had ruled longer than any other sitting world leader. After nearly half a century in power, he adopted a uniquely Korean form of succession, melding communism with dynastic rule.

He had begun to devolve day-to-day responsibilities to his son when the collapse of the Soviet empire and of the Soviet Union itself called the legitimacy of communism into question.

North Korea remained somewhat insulated from these larger currents. Its doctrine of self-reliance made it impervious to the shifting ideological winds even in neighboring China. And its economy relied on outsiders for only a few necessities like subsidized oil. But North Korea suffered grievously from the loss of its Soviet and East European trading partners. And its nuclear program made it an international outcast, only deepening economic distress.

A Deal Still on the Table

Most Americans knew North Korea's Kim Il Sung not as his country's anti-Japanese resistance leader, founding father and ruler for more than 50 years but as an aggressor, terrorist, fanatical Communist and creator of a surreal personality cult who had enslaved his 21 million people, made his nation a prototype of a rogue state and seemed bent on acquiring a nuclear bomb. So outside of North Korea, which faces the unprecedented shock of its first succession, mourning for his death will be brief.

It is the commanding irony of the Korean conundrum, however, that this same Kim Il Sung had become the principal repository of American hopes to convert what was the Cold War's last armed and war-prone frontier into an accommodation in which North Korea would abandon its nuclear aspirations in return for an accepted economic and political place in the world.

Now one American nightmare is coming true. Instead of dealing with the single Korean leader with a considerable if not sure capacity to make the deal, either the United States will be engaged with a regime headed by the late leader's son and designated successor, Kim Jong Il, someone currently known for his lack of popular standing and political weightiness, or it will be

forced to treat with whatever unknown entity or combination of elements is thrown up by a Korean succession struggle. The impenetrability of the North Korean political process can scarcely be exaggerated.

It is not a formula for confidence, but it is a time for steadiness. Preparations for a serious negotiation must continue; these preparations must include a military buildup suitable to counter if not deter any of the dangerous military moves that North Korea has threatened in recent months. The United States knows what it wants from a negotiation, or certainly it should know.

Its purpose must be to contain the threat of a North Korean nuclear capability; that means heading off future bombs and somehow rolling back the one or two bombs that may already be in North Korea's arsenal. In return, Americans have much to offer North Korea in terms of security guarantees and economic and political cooperation.

That is the deal that was on the table when the United States and North Korea resumed their direct talks in Geneva on Friday, the day Kim Il Sung died. As far as the United States is concerned, this deal ought to remain on the table. The first clue will be the manner in which the new leadership in Pyongyang picks up the thread in Geneva.

—THE WASHINGTON POST.

'Bretton Woods' Advice

Because most of the big economies are currently performing well, especially that of the United States, the seven politicians assembled in Naples this past weekend talked mostly about other things. There is not much inclination to fiddle with the machinery when it is running adequately. But the machine is far from stable. The latest reminder was the upward lurch of the Japanese yen's exchange rate against the dollar.

To take a longer perspective, it is clear that the world's major economies have not been doing well enough in recent years. Some of the reasons are entrenched in countries' social values and the ways they choose to live. But one interesting question is whether economies can be strengthened by technical changes in the operations of the key financial institutions. There is good reason to think that they can. The Bretton Woods Commission, a sort of seminar headed by Paul A. Volcker, the former chairman of the Federal Reserve Board, offers specific proposals.

The commission has named itself after the conference 50 years ago this month that laid the foundations for the International Monetary Fund and the World Bank. Mr. Volcker and his colleagues say it is time to have a look at the directions in which those two highly influential organizations have evolved.

The World Bank and its subsidiaries have become the central funnel of gov-

ernment aid for development. But governments will never be able to provide enough aid to meet the urgent needs of the three-quarters of the earth's population that lives in the poor countries. The bank needs to do more as a catalyst for private investment and, except in the poorest countries, put less emphasis on its own direct lending.

The IMF, over the years, has drifted into kinds of lending that often overlap with the World Bank's job. The Volcker group recommends a sharp division of labor, in which the IMF gets back to its original purpose of stabilizing exchange rates. That requires close coordination of economic policy among the major countries' governments, another emphatic recommendation.

But those governments do not seem capable at present of that kind of coordination. The yen, for example, is rising uncontrollably for reasons directly related to Japan's huge trade surplus, and the present Japanese government is far too weak to make the changes necessary to bring the surplus down.

Improving the international institutions can make substantial differences for the better, and the advice of the Bretton Woods Commission is useful. But, like all cool and rational economic advice, it is useful only up to the limits set by political positions and habits which change slowly.

—THE WASHINGTON POST.

After Kim Il Sung Comes the Reunification Process

By Philip Bowring

HONG KONG — Korea now has no dominating figures, and no Cold War role. What then will be the focus of achievement on this restless peninsula, where so much energy is bottled up? The most likely answer is nationalism, the one element that North and South have shared, although expressing it so differently — the South seeking to prove Korean talents to the world; the North practicing *juche* (self-reliance), seeking identity in a curious combination of Stalinist autarky and the Hermit Kingdom's traditional shunning of the foreigner.

With the death of Kim Il Sung, Korean nationalism's focus is to be how to achieve peaceful national reunification in a way which suits all parties. Unification is something that governments on both sides fear but over which they may have scant control. The inevitability of reunification now moves from the realm of the theoretical to the practical.

Predicting the North's short-term evolution — the fate of Kim Jong Il, the role of the army, the course of nuclear policies — is a largely futile exercise. There are obvious dangers of fallout from domestic power struggles.

But for the medium term it is safe to predict an effort toward accommodation. The Northern elite's ability to survive will depend on its ability to deliver some material rewards to a long-suffering pop-

ulation, in the style of post-Mao China, and that in turn depends on the cooperation, and money, of a South that has every reason to want gradual change.

Indeed, before the nuclear issue came to dominate relations, North and South had been moving toward direct trade and investment. It made sense both for technocrats in Pyongyang (survivalists, if

Peaceful reunification is now manifest destiny. Getting there is going to mean sacrifice.

nothing else) and for capitalists in Seoul for labor-intensive industries to move from Pusan and Taegu to the North rather than, as has in fact happened, to China, as Asia and Vietnam.

Paranoia in Pyongyang was modified to the point of encouraging the development of border trade with China and Russia, through which news of realities of life in the South as well as among Chinese Koreans must gradually filter.

Although North-South dialogue had ground to a halt, recent events have added to Korean national self-awareness.

However worried the South has been over Northern nuclear intentions, two attitudes have been apparent.

Firstly, there is a sneaking admiration among many in the South that Koreans may have developed a nuclear capability all on their own and are seen to keep the West and Japan off balance.

Secondly, at the official level, there is a sense that the Korean question ought to be settled by Koreans — an attitude that has led to strains in relationships with the United States, which is seen as having brought a bigger agenda to the nuclear issue than suits Seoul's Korea-centric interests. While American media have been full of war scenarios, for Koreans the subject is too painful for contemplation.

South Korea's recently democratized political system has also played a role in national awareness. It has added to the South's pride in its modernization, and it has brought to office a president, Kim Young Sam, who is a competent but not dominant figure. Likewise in the North, whatever happens next, no one can fill Kim Il Sung's oversized boots.

The peaceful reunification of Korea is now manifest destiny. But getting there is going to mean sacrifice. Compare the situation with Germany. The barriers to exchange of people and ideas have been much higher, and for longer. The economic differences are daunting.

East Germany had one-third the population of the Federal Republic, and per capita income was about half. North Korea has half as many people as the South, and per capita income is about one-fifth. Once the industrialized part of Korea, the North now has less than one-fifth the steel output, one-eighth the cement output.

The Northern climate is unsuited for intensive agriculture, so even with 37 percent of the population still on the land (compared with 15 percent in the South), there is barely enough to eat.

The North's economy is roughly where it was in 1970 when it was first surpassed by the South. Estimates of the capital needed over 10 years to bring the North up to Southern levels range from \$600 billion to \$1 trillion. Even if the process is gradual and controlled, the consequences for the South's increasingly globally oriented economy will be many and massive.

In the long run, a united Korea has every chance of becoming as rich as Japan. That is not a prospect that Japan relishes. China, too, would prefer a divided Korea. But both recognize that division of the peninsula was an accident of history over which Koreans had little control and which will not last forever.

With Kim Il Sung having followed the Soviet Union into the history books, the reunification process can begin.

International Herald Tribune.

A Scenario for North Korea: Exit Stalin and Enter Caligula

By Jim Hoagland

WASHINGTON — Stalin is gone, but it isn't good news. Caligula is taking his place.

That is the reaction of one senior U.S. official to the sudden death of Kim Il Sung. The death clears the way for the ascension of his son and designated heir, Kim Jong Il, who is thought to be mentally unstable by U.S. intelligence agencies.

The disappearance of Kim Il Sung brings America's confrontation with North Korea over nuclear weapons ambitions to the flash point that U.S. officials most fear. The older Kim was predictable: nasty, vicious, but not crazy. The younger Kim is seen as unpredictable, and less likely to strike the deal that the Clinton administration is seeking with North Korea.

Ironically, Kim Il Sung at age 82 had become an element of stability in the eyes of U.S. officials. His survival was essential to their efforts to stop North Korea from reprocessing enough plutonium to manufacture a half-dozen nuclear weapons, to go with the one or two devices that

the CIA believes Pyongyang has already assembled.

The Clinton administration's strategy had been to bypass Kim Jong Il, 52, who had asserted more control over foreign and defense policy as his father groomed him for succession. With the elder Kim in charge and aware of the concessions that the United States was willing to make to get the North Korean finger off the nuclear trigger, there was just a chance of striking a deal.

Getting the message to Kim Il Sung was the biggest gain registered by former President Jimmy Carter in his controversial meeting with the dictator in Pyongyang last month. Mr. Carter was able to convey the U.S. position directly to the elder Kim, without it being filtered through "Caligula."

Mr. Kim's death tears the bottom out of the U.S. negotiating strategy. The little that American officials thought they knew about the Hermit Kingdom's leadership died with the man who

sent North Korean troops across the 38th parallel in 1950 to be beaten back by the U.S. Army.

The elder Kim's memory of the beating he took before China intervened had been a key factor in U.S. hopes that he would eventually renounce assembling a nuclear arsenal and back away from another armed confrontation with America.

That hope is now seriously diminished. The formative political experience for the younger Kim was not a military defeat but the kidnapping and terrorizing of a South Korean film actress whom he apparently expected to fall in love with him. He is, in the view of some U.S. officials, a pampered psychopath.

The change from Stalin to Caligula leaves Washington with no attractive options. But for all the problems involved, Washington should stick with the understandings that Mr. Carter achieved with Kim Il Sung and attempt to structure a negotiating process around them.

The temptation to abandon

the Carter effort now that Kim Il Sung is dead is understandable. The administration was not in any case that happy with the understandings, and the publicity, that Mr. Carter achieved.

Until Mr. Kim's death, Mr. Carter's mission looked like the end of the first phase of the conflict between Washington and Pyongyang, rather than the decisive breakthrough that the former president describes or the capitulation that others fear.

Mr. Carter got the dictator into talks that could conceivably lead to a deal freezing Pyongyang's future nuclear development. In return, the Korean achieved his overriding goal in the opening game: to preserve permanently the ambiguity around whether or not North Korea has already developed one or two nuclear devices.

By endorsing a concession that effectively abandoned previous U.S. demands that plutonium taken from North Korea's reactor in 1990 be accounted for by open international inspection, Washington has acknowledged that the bomb(s) North Korea

may have already developed are so much spit and milk.

That is a distasteful and potentially dangerous concession for the region. But Kim Jong Il's intentions — in fact, his very nature and sanity — need to be established through the kind of negotiating process that Mr. Carter has initiated. If this Kim is indeed Caligula, Bill Clinton will have to take immediate steps to shore up the American military presence in South Korea.

But that is not yet clearly established. At present, North Korea is a giant inkblot test. Lacking reliable information, outsiders project the past and their interpretation of it onto the blank screen of crisis and isolation created by the two Kims.

Mr. Carter's mission and his cultivation of the elder Kim did not bring a peaceful settlement to hand, as the doves had hoped. The younger Kim's ascension does not in itself bring war, as some hawks will now argue. It is a time for owls, to watch vigilantly over a still unfolding crisis.

The Washington Post.

In Our Postmodern World, a Search for Self-Transcendence

By Vaclav Havel

The writer is president of the Czech Republic. This comment is adapted from an address at Independence Hall on July 4, when he was awarded the Philadelphia Liberty Medal.

PHILADELPHIA — There are good reasons for suggesting that the modern age has ended. Many things indicate that we are going through a transitional period, when it seems that something is on the way out and something else is painfully being born.

It is as if something were crumbling, decaying and exhausting itself, while something else, still indistinct, arises from the rubble. The distinguishing features of transitional periods are a mixing and blending of cultures and a plurality or parallelism of intellectual and spiritual worlds. These are periods when all consistent value systems collapse, when cultures distant in time and space are discovered or rediscovered. New meaning is gradually born from the encounter, or the intersection, of many different elements.

Today, this state of mind, or of the human world, is called postmodernism. For me, a symbol of that state is a Bedouin mounted on a camel and clad in traditional robes under which he is wearing jeans, with a transistor radio in his hands and an ad for Coca-Cola on his camel's back.

I am not ridiculing this, nor am I shedding an intellectual tear over the commercial expansion of the West that destroys alien cultures. I see it as a typical expression of this multicultural era, a signal that an amalgamation of cultures is taking place. I see it as proof that something is being born, that we are in a phase when one age is succeeding another, when everything is possible.

THE dizzying development of science, with its unconditional faith in objective reality and complete dependence on general and rationally knowable laws, led to the birth of modern technological civilization. It is the first civilization that spans the entire globe and binds together all societies, submitting them to a common global destiny.

At the same time, the relationship to the world that modern science fostered and shaped appears to have exhausted its potential. The relationship is missing something. It fails to connect with the most intrinsic nature of reality and with natural human experience.

Classical modern science described only the surface of things, a single dimension of reality. And the more dogmatically science treated it as the only dimension, as the very essence of reality, the more misleading it became. We may know immeasurably more about the universe than our ancestors did, and yet it increasingly seems that they knew something more essential about it than we do, something that escapes us.

The same thing is true of nature as of ourselves. The more thorough

ly all our organs and their functions, their internal structure and the biochemical reactions that take place within them, are described, the more we seem to fail to grasp the spirit, purpose and meaning of the system that they create together and that we experience as our unique self.

Thus, we enjoy all the achievements of modern civilization that have made our physical existence easier in so many important ways. Yet we do not know exactly what to do with ourselves, where to turn. The world of our experiences seems chaotic, confusing. Experts can explain anything in the objective world to us, yet we understand our own lives less and less.

WE LIVE in the postmodern world, where everything is possible and almost nothing is certain. This state of affairs has its social and political consequences. The planetary civilization to which we all belong confronts us with global challenges. We stand helpless before them because our civilization has essentially globalized only the surface of our lives.

But our inner self continues to have a life of its own. And the fewer answers the era of rational knowledge provides to the basic questions of human being, the more deeply it would seem that people cling to the ancient certainties of their tribe.

Because of this, individual cultures, increasingly lumped together by contemporary civilization, are realizing with new urgency their own inner autonomy and the inner differences of other cultures. Cultural conflicts are increasing and are more dangerous today than at any other time in history.

Politicians are rightly worried by the problem of finding the key to ensure the survival of a civilization that is global and multicultural: how respected mechanisms of peaceful coexistence can be set up and on what set of principles they are to be established.

These questions have been highlighted with particular urgency by the two most important political events in the second half of the 20th century: the collapse of colonial hegemony and the fall of communism. The artificial world order of the past decades has collapsed and a new, more just order has not yet emerged.

The central political task of the final years of this century, then, is the creation of a new model of coexistence among the various cultures, peoples, races and religious spheres within a

single interconnected civilization. Many believe that this can be accomplished through technical means — the invention of new organizational, political and diplomatic instruments.

Yes, it is clearly necessary to invent organizational structures appropriate to the multicultural age. But such efforts are doomed to failure if they do not grow out of something deeper, out of generally held values.

IN SEARCHING for the most natural source for the creation of a new world order, we usually look to an area that is the traditional foundation of modern justice and a great achievement of the modern age: a set of values that were first declared in this building. I am referring to respect for the unique human being and his or her liberties and inalienable rights, and the principle that all power derives from the people. I am referring to the fundamental ideas of modern democracy.

Even these ideas are not enough. We must go further and deeper. Today, we are in a different place and facing a different situation, one to which classical modern solutions do not give a satisfactory response.

After all, the very principle of inalienable human rights, conferred on man by the Creator, grew out of the typically modern notion that man, as a being capable of knowing nature and the world, was the pinnacle of creation and lord of the world.

This modern anthropocentrism inevitably meant that He who allegedly endowed man with his inalienable rights began to disappear from the world. He was so far beyond the grasp of modern science that He was gradually pushed into a sphere of privacy of sorts, if not directly into a sphere of private fancy — that is, to a place where public obligations no longer apply. The existence of a higher authority than man himself simply began to get in the way of human aspirations.

The idea of human rights and freedoms must be an integral part of any meaningful world order. Yet I think it must be anchored in a different place, and in a different way, than has been the case so far.

PARADOXICALLY, inspiration for the renewal of this lost integrity can once again be found in science. In a science that is new — postmodern — and producing ideas that in a certain sense allow it to transcend its own limits. I will give two examples. The "anthropic cosmological

principle" brings us to an idea, perhaps as old as humanity itself, that we are not at all just an accidental anomaly, the microscopic caprice of a tiny particle whirling in the endless depths of the universe. Instead, we are mysteriously connected to the universe, we are mirrored in it, just as the entire evolution of the universe is mirrored in us.

The moment it begins to appear that we are deeply connected to the entire universe, science reaches the outer limits of its powers. With the "anthropic cosmological principle," science has found itself on the border between science and myth.

In that, however, science has returned, in a roundabout way, to man, and offers him his lost integrity. It does so by anchoring him once more in the cosmos.

The second example is the "Gaia hypothesis." This theory brings together proof that the dense network of mutual interactions between the organic and inorganic portions of the Earth's surface form a single system, a kind of mega-organism, a living planet, Gaia, named after an ancient goddess recognizable as an archetype of the Earth Mother in perhaps all religions.

According to the Gaia hypothesis, we are parts of a greater whole. Our destiny is not dependent merely on what we do for ourselves but also on what we do for Gaia as a whole. If we endanger her, she will dispose with us in the interests of a higher value — life itself.

What makes the "anthropic principle" and the "Gaia hypothesis" so inspiring? One simple thing: both remind us of what we

have long suspected, of what we have long projected into our forgotten myths and what perhaps has always lain dormant within us as archetypes. That is, the awareness of being anchored in the Earth and the universe — the awareness that we are not here alone nor for ourselves alone but are an integral part of higher, mysterious entities against whom it is not advisable to blaspheme.

This forgotten awareness is encoded in all religions. Cultures anticipate it in various forms. It is one of the things that form the basis of man's understanding of himself, of his place in the world and ultimately of the world as such. This awareness endows us with the capacity for self-transcendence.

POLITICIANS at international forums may reiterate a thousand times that the basis of the new world order must be universal respect for human rights, but it will mean nothing as long as this imperative does not derive from the respect of the miracle of Being, the miracle of the universe, the miracle of nature, the miracle of our own existence.

Only someone who submits to the authority of the universal order and of creation, who values the right to be a part of it and a participant in it, can genuinely value himself and his neighbors and thus honor their rights as well.

The Declaration of Independence, adopted 218 years ago in this building, states that the Creator gave man the right to liberty. It seems man can realize that liberty only if he does not forget the One who endowed him with it.

The New York Times.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1894: Scottsdale Riot

NEW YORK — A body of 100 negroes unexpectedly marched into Scottsdale in Pennsylvania yesterday [July 9] armed with revolvers and clubs. The burgess, Mr. Robinson, called on them to disperse, but they refused and one or two of them fired at him. The burgess then called a number of citizens to his assistance and a general riot ensued, which resulted in the negroes getting the worst of the encounter and being compelled to flee from the town.

1919: Watching Mexico

NEW YORK — After several years of patient toleration of the turmoil in Mexico, described as "watchful waiting," the United States is prepared to intervene in the Federal Republic. The programme, it is said, will be similar to that which the United States

adopted regarding Cuba, occupying all ports and not withdrawing troops until the establishment of a stable government based on law and order and the protection of life and property.

1944: Foreign Forces

WASHINGTON — [From our New York edition:] While all the German officers captured in the fighting on the Cherbourg peninsula were 100 per cent German professional soldiers, a "vast majority" of the regular troops was made up of Russians, Poles, Czechs and some Frenchmen. Lieutenant Colonel John K. Daly, observer for the press, revealed today [July 10] at a press conference. Some of the prisoners were boys of 16 or 17 who had been with the Hitler Youth movement and were used as laborers until the invasion started, when they were armed.

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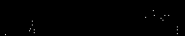


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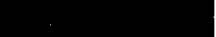
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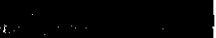
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BUSINESS

International Herald Tribune, Monday, July 11, 1994

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CAPITAL MARKETS

Despite Tension, Experts Insist: Now Is Time to Buy

By Carl Gewirtz
International Herald Tribune

PARIS — The rise of the Deutsche mark against the dollar is renewing pressure on rates within Europe. The mark is also gaining against its neighbors and this, in turn, is putting upward pressure on short-term interest rates as traders begin to fear that such moves will be forced on Germany's allies to defend their currencies.

The French franc slipped past its old support level of 3,430 per mark to 3,439 last week, its low for the year. The Belgian franc, the peseta, as well as currencies not formally linked to the mark such as the pound, the lira and the Swedish krona also weakened.

The threat of heightened currency tensions within Europe, analysts report, could increase the willingness of the Bundesbank to intervene to support the dollar. The desire to deflect tensions also raises the possibility of a reduction in official German rates at the Bundesbank's July 21 policy-making meeting, the last before its summer break.

Although investors still are largely sidelined by the upset in all bond markets during the first half of the year and by fears of yet more turbulence, analysts continue to insist that now is the time to resume buying.

"There's as much risk staying out of the market as there is getting in," advises Sushil Wadhvani at Goldman Sachs in London. Recalling the experience of 1984 when recovery swept financial markets and was completed in three weeks, he notes, "If you weren't already positioned in the market, you missed the recovery."

Allowing that prices may yet weaken further, Mr. Wadhvani argues, "It's hard to know exactly when markets hit bottom. On a month view, there's a good probability prices will be lower, but taking a six-month view there's money to be made investing now."

"It's clearly time to start buying," asserts Henry Loozer at Bank Julius Baer in Zurich. "We've seen the worst. The major markets, apart from Britain, should see yields in six months half a point lower than they are today and prices up accordingly."

His preferred investments, he adds, are in Deutsche marks, European Currency Units, guilders, lire and pesetas.

Perhaps because German interest rates are expected to decline further, the DM portion of this week's global issue of floating rate notes from Italy is reported to be the least popular. In all, Italy aims to raise the equivalent of \$4 billion — at least \$1.25 billion, 150 billion yen and 1 billion DM.

That totals some \$3.4 billion and managers intend to allot the remainder in response to final demand. All three will carry the same coupon of the London interbank offered rate (Libor). But pricing will be different so that purchasers of yen paper are expected to

See MARKETS, Page 12

Decline Of Dollar: Is a Crisis Brewing?

International Herald Tribune

PARIS — Dismayed by the Group of Seven's apparent complacency over the dollar's weakness and the failure of the U.S. and German central banks to adjust their interest rates, analysts are uncertain whether the dollar is headed for a collapse or whether officials last week were trying to bait a trap for speculators.

Under either scenario, the immediate outlook for the dollar is grim.

"The risk of the dollar's recent decay becoming a crisis has intensified," warns Paul Chertkow, London-based analyst for Union Bank of Switzerland.

"A new test for the dollar and dollar-denominated assets is imminent," says John Lipsky at Salomon Brothers in New York. "The combined weakness of the dollar as well as that of bond and stock markets suggest that investors consider that U.S. policy is too loose."

The dollar ended trading last week at a 20-month low of 1.5610 Deutsche marks and at 98.055 yen — within spitting distance of its record intra-day low of 96.78 yen. Traders said that volume was light and that in the absence of buyers, the dollar had only one way to move.

The currency is weighed down by the large and rising U.S. current-account deficit, which provides a constant outflow of dollars looking to be converted to foreign currencies, as well as by the growing disillusion of international investors who loaded up on the dollar earlier this year and who are giving up waiting for its recovery.

There's no quick fix to that combination, as was demonstrated two weeks ago when concerted central bank inter-

See DOLLAR, Page 12

After Kim, North Korea's Next Step

By Steven Brull
International Herald Tribune

SEOUL — Whoever emerges as North Korea's leader after the death of Kim Il Sung will be forced by economic necessity to speed up the Communist country's tentative steps toward integration with the outside world.

Yet while greater trade and investment will help the battered economy to plod on for a few more years, nothing short of a full-blown economic opening can reverse the long-term decline of the Stalinist state's economy — an option ruled out, however, because it would probably undermine the regime, analysts said Sunday.

Instead, the betting is that Kim Jong Il, Kim Il Sung's son, will become North Korea's leader and pursue a modestly accelerated program of economic reforms once he consolidates his grip on power over the next several months.

Kim Jong Il has been a key player in the North's hesitant openings to the outside world, a process modeled after China's open-door policies begun in the late 1970s, but North Korea's have been far less ambitious and effective. In contrast to China's roaring economy, North Korea's gross national product dropped 20 percent from 1989 to 1993 and the economy is beset with shortages of food, energy, foreign exchange and clothing.

"He will have to prove his legitimacy, but he's also a part of the Kim Il Sung

legacy," said Chun Hong Tack, research fellow at the Korea Development Institute. "If Kim Jong Il feels secure, he'll try to advance the open-door policies, but I doubt he can dissociate himself completely from what his father achieved."

Even if North Korea wished to open up more aggressively, it's unlikely it could match Beijing's success in grafting market economics onto a state-planned system. Beijing has benefited enormously from Hong Kong and the special economic zones along the coast. The closest Pyongyang comes is a community of North Koreans living across the border in China.

"He will try to follow the Chinese way of economic reform, but it might not work as well," said Masashi Nishihara, director of research at Japan's National Institute for Defense Studies in Tokyo. "So he will have to go very slowly in opening up the economy and may lose legitimacy in the process."

Despite the pitfalls and potential for political collapse, some businessmen in Seoul viewed the death of the 82-year-old Kim as a positive catalyst for North Korea's economic policies and the South's economic development.

Greater openness to foreign capital and technology would slow the pace of the North's economic decline and minimize the eventual cost of reunification with the South — estimated at more than

\$1 trillion over 10 years. It would also open up a new source of cheap workers for South Korean companies, which have lost cost-competitiveness in labor-intensive industries.

"The business community is very eager to go," said Lee Young Sun, professor of economics at Yonsei University. "They are already calculating their profits."

South Korea's *chaebol*, or conglomerates, have long had plans to invest hundreds of millions of dollars in North Korea. None of their proposed projects is in operation, however, because of Pyongyang's suspected nuclear development program.

But companies, spurred by the summit meeting of North and South Korean leaders, planned for later this month but canceled, have been stepping up their preparation. Lucky-Goldstar, for instance, plans first to invest in light and medium-size industries such as textiles and toys; later, it will move into heavy industries such as cement, chemicals and electric power generation.

"We're all seeking labor that's cheaper than it is in Vietnam or China but much more skilled and diligent and which speaks Korean," said Kim Do Kyung, research director at Lucky-Goldstar's economic research institute. "This will allow South Korea to be competitive for a longer time, even against Japan."

Lockheed to Sell F-16s to Singapore

By Michael Richardson
International Herald Tribune

SINGAPORE — Asia has become the key market for United States manufacturers of combat aircraft, analysts said Sunday, following an announcement by Singapore that it would buy 18 advanced F-16 fighters made by Lockheed Fort Worth Co. of the United States for an undisclosed price.

The deal is a setback for rival U.S. maker, McDonnell-Douglas Aerospace Co., which bid for the same order by offering Singapore 18 of its latest F/A-18 fighters at an estimated cost of \$1.5 billion.

Lee Boon Yang, Singapore's defense minister, said Saturday that the F-16 had been chosen "because it is the most cost-

effective aircraft for our defense and security needs."

He did not disclose the value of the deal, which includes armaments, spare parts, technical training and support.

But analysts said that by insisting on a competitive tender between the two leading American manufacturers, Singapore had probably achieved a substantial reduction in the cost of the F-16 package, originally estimated at around \$900 million.

"It's a buyers' market now," said one analyst. "With U.S. arms makers facing sharp cuts in orders at home, Asia has the strongest sales prospects."

Strategic uncertainty in the region intensified over the weekend with the announcement that Kim Il Sung, the long-time Stalinist leader of

North Korea, had died Friday.

South Korea has been a major buyer of U.S. arms, including F-16's.

Mr. Lee said that deliveries of the advanced model F-16 C/D to Singapore would start in 1998, and that the existing seven F-16 A/B's belonging to the Singapore air force would be phased out of service.

The advanced model has a more powerful engine and a more potent combat capability.

Speaking before the Singapore order was announced, Dwan Mayfield, vice-president of marketing for Lockheed Fort Worth, said that a backlog of 540 F-16 orders from both U.S. and foreign buyers would keep the assembly line busy through 1999.

Of the nine foreign custom-

ers, five — Singapore, Thailand, Taiwan, South Korea and Pakistan — are in Asia. Indonesia also has F-16's and, like other Asian operators, may make follow-up orders or upgrades.

McDonnell Douglas made its first breakthrough in the Southeast Asian fighter market when Malaysia agreed to buy eight F/A-18's in December, after extensive negotiations on price and other terms.

Najib Razak, the Malaysian defense minister, said recently that Malaysia was still interested in buying more F/A-18's despite its decision last month to purchase 18 Russian-made MiG-29's, valued at over \$500 million.

Analysts said Sunday that Singapore might also buy F/A-18's in future to replace its fleet of A-4 Skyhawk bombers.

China's 'Mobile' War Cry

New Phone Firm To Be Launched

Bloomberg Business News

BEIJING — In an attempt to break the dominance held by foreign companies in China's booming mobile phone and pager markets, eight Chinese concerns will join forces to form a competing entity, the official China Daily reported Sunday.

Jinfeng Telecommunications Co., to be launched in Beijing in August, will try to cut into the phone handset market leadership of U.S.-based Motorola Inc. and into the switching equipment strength of Sweden's Ericsson AB, the paper said.

Explosive growth has already made China's mobile telecommunications network the world's third-largest behind the United States and Japan.

The enterprises forming the new company include giant consumer electronics firm Changhong Electronics Co., Changling Electronics Co., Beijing Huaxun Telecommunications Corp. and Beijing Catch Telecommunications Corp.

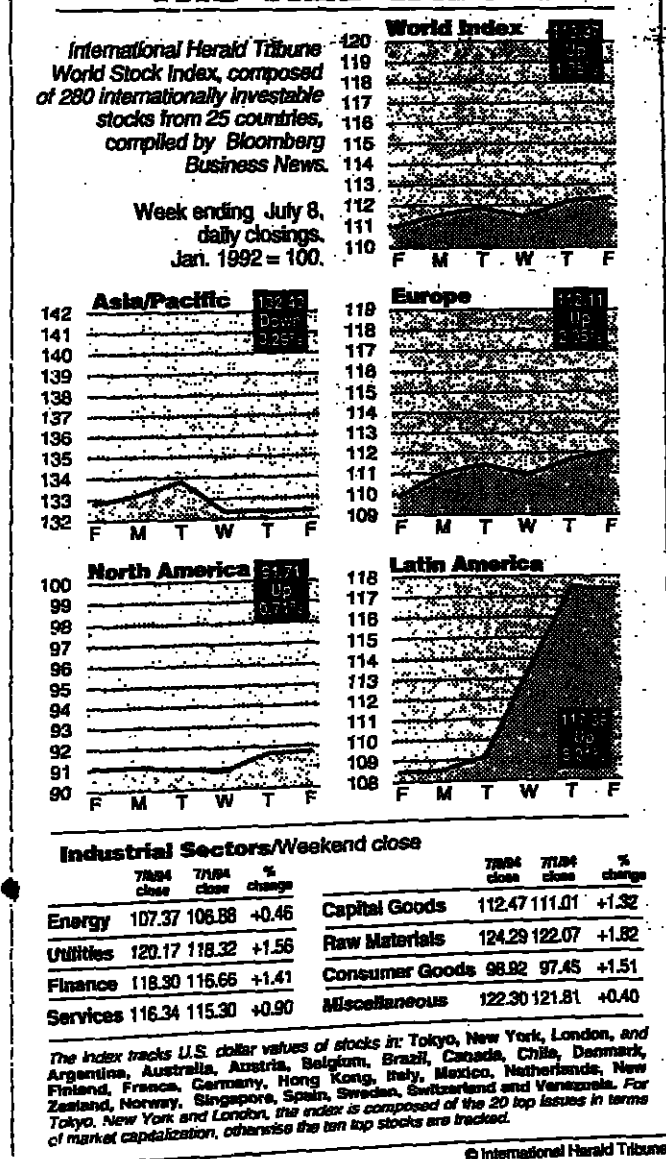
An Ultimatum to GATT

China has thrown down an ultimatum in its bid to rejoin GATT, setting this month's GATT meeting in Geneva as the deadline for the world trade body to accept its package of concessions, the China Daily Business Weekly said Sunday, Agence France-Presse reported from Beijing.

Ministry of Foreign Trade and Economic Cooperation official Li Zhongzhou said China would simply go its own way if the meeting, which opens July 23, rejected its package, the paper said.

"GATT can take it or leave it, but it's final," said Mr. Li, adding that there would be no room for future talks if China's offer was dismissed.

THE TRIB INDEX



Hong Kong Notebook

Colony Regulators Pursuing 'Big Fish'

From individual stock exchange floor traders to prominent businessmen and establishment banks like Standard Chartered PLC, a growing list of Hong Kong identities are finding themselves on the sharp end of regulatory enforcement.

Most people believe that Hong Kong, besmirched by its decision to close its stock and futures exchanges for a few days after the October 1987 market collapse and numerous tales of corporate scandal, should welcome a trend toward tighter enforcement.

But Chim Pui-chung, the gold Rolfs Royce-driving businessman who represents the financial community in the colony's Legislative Council, disagrees wholeheartedly.

"If the regulation is too strict, then perhaps some of the well-heeled will be reluctant to invest here," said Mr. Chim in a local newspaper report. "That will be detrimental to Hong Kong's status as a financial center."

Mr. Chim tends to speak for small, local business interests. Until high-profile Standard Chartered's local merchant bank and stock broking subsidiaries were disciplined for misconduct in the trading of shares by newly listed companies, many local brokers believed that the colonial government unfairly targeted small players such as themselves.

"There are plenty of sharks in Hong Kong, but it's about time they started catching a few big fish instead of the little ones," said one local trader who asked not to be identified, referring to the widespread belief that many of Hong Kong's biggest corporate names regularly manipulate stock trading.

Rebates and Soft Commissions Challenged

While fund managers from larger, blue-chip firms might be reluctant to ride in Mr. Chim's gold limo, they may find themselves allied with him in a fight against another Securities and Futures Commission campaign: a crackdown on the payment of cash rebates and "soft dollar" commissions.

A paper published last week by the SFC indicated it wants to ultimately ban cash rebates paid by brokers to fund managers in return for business placed with them. The SFC also called for tighter regulation of soft dollar commissions, through which brokers provide goods or services to fund managers in return for their stock trading business.

Cash rebates are generally prohibited in the United States, Britain and Australia, and soft commissions are tightly regulated.

"We don't want this turn into an us-against-the-SFC issue," said an executive with one securities firm now preparing a response to the SFC proposals. "But we feel the outright banning of rebates would disadvantage Hong Kong as a global as well as regional financial center."

A Wealth of Investors for Programming Guru

Known in local television circles for an ability to select hit programming, Robert Chua has a few tough business choices of his own to make. Armed with coveted space on a satellite whose signal will cover China, and a strong track record as a Chinese entertainment producer, Mr. Chua says he can't decide whose money to accept as investment capital in his nascent Mandarin-language China Entertainment Television Broadcast Ltd.

"I only need \$50 million, but about \$100 million wants to come in," said Mr. Chua, a producer of game and variety shows, corporate videos, and adult entertainment telephone services and programs. "I must have the right partners, ones that bring more than just money to the deal."

Mr. Chua plans to launch three channels for distribution throughout Taiwan and China, where cable television networks which now may serve up to 20 million households. The first, a food, entertainment and lifestyle channel — "very safe, no sex, no violence, no news" — should be ready in 1995.

Mr. Chua waves off his doubters: "I have a special gift for giving people what they want." Stay tuned.

Kevin Murphy

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New International Bond Issues

Compiled by James Connell

Issuer	Amount (millions)	Mat.	Coups	Price	Price and week	Terms
Floating Rate Notes						
Banco Nazionale del Lavoro (Hong Kong)	\$100	1999	0.375	100		Over 3-month Libor, floored at 99.725, (Citibank Int'l)
Bank of Ayudhya (Hong Kong)	\$150	2001	1.20	100		Over 6-month Libor, Noncallable, Fees not disclosed, Denominations \$500,000, (Merrill Lynch)
Daiwa Overseas Finance	\$100	2004	0.50	100		Over 3-month Libor, Noncallable, Interest is 99%, Noncallable, Fees 0.125% (Societe Generale Int'l)
Esar Gujarat	\$200	1999	2.65	100		Over 6-month Libor, Noncallable, Fees 1.25%, Denominations \$500,000, (Citibank Int'l)
Hanil Bank	\$100	1999	0.34	100		Over 6-month Libor, Noncallable, Fees 0.125%, (Bul Fin)
Lombard Finance Public Ltd.	\$100	1997	1%	99.54		Over 3-month Libor, Noncallable, Fees 0.50%, Denominations \$10,000, (Merrill Lynch Int'l)
Shandong Int'l Trust & Investment Corp.	\$130	2001	0.60	100		Over 6-month Libor, Callable and redeemable at par from 1999, Fees not disclosed, (Bul Fin)
Australia and New Zealand Banking Group	\$200	1997	0.125	99.93		Over 3-month Libor, Noncallable, Fees 0.15%, Denominations \$100,000 (Bul Fin)
Fixed-Coupons						
Rabobank Nederland	\$250	1997	6%	100%	99.30	Noncallable, Fees 1.25%, (Swiss Bank Corp)
Sweden	\$300	1996	6%	100.05	99.25	Noncallable, Fees 1.25%, (Merrill Lynch Int'l)
Commerzbank Overseas Finance (Luxembourg)	€1,300,000	1999	10%	101.10	99.45	Noncallable, Fees 1.25%, (Bul Fin)
Deutsche Bank Finance (Luxembourg)	€1,200,000	1999	10%	101.10	99.50	Noncallable, Fees 1.25%, (Deutsche Bank)
Oesterreichische Kontrollbank	€1,200,000	1999	10%	101.10	99.30	Noncallable, Fees 1.25%, (Swiss Bank Corp)
DSL Finance	€125	1998	9%	101.10	99.70	Reaffirmed at 99.761, Noncallable, Fees 1%, (Paribas Capital Markets)
British Columbia	¥50,000	1999	4	99.30	100.10	Noncallable, Fees 0.25%, (Daiwa Europe)
British Columbia	¥10,000	1997	3.40	100.08	—	Noncallable, Fees 0.1875%, (Merrill Lynch Int'l)
British Columbia	¥10,000	1997	3.4	100	—	Noncallable, Fees not disclosed, Denominations 100 million yen, (JP Morgan Securities)
British Columbia	¥10,000	1997	3.20	100	—	Noncallable, Fees not disclosed, Denominations 100 million yen, (JP Morgan Securities)
Caisse Nationale de Crédit Agricole	¥10,000	1999	4	100%	—	Noncallable, Fees 0.25%, (Merrill Lynch Int'l)
Deutsche Bank Finance (Luxembourg)	¥50,000	1999	4%	100.30	100.55	Noncallable, Fees 0.25%, (Merrill Lynch Int'l)
Mitsubishi Corp. Finance	¥30,000	1997	3%	100.30	—	Noncallable, Fees 0.30%, Denominations 100 million yen, (Bul Fin)
Mitsubishi Petrochemical	¥20,000	2001	4.55	100.15	—	Noncallable, Fees 1.25%, Denominations 10 million yen, (Bul Fin)
Mitsubishi Petrochemical	¥10,000	1998	4	99.30	—	Noncallable, Fees 1.25%, Denominations 10 million yen, (Mitsubishi Finance Int'l)
New South Wales Treasury Corp.	¥20,000	1997	3.20	100.08	—	Noncallable, Fees 0.1875%, (Merrill Lynch Int'l)
Norddeutsche Landesbank	¥10,000	1997	3.20	100.22	—	Noncallable, Fees not disclosed, Denominations 100 million yen, (Merrill Lynch Int'l)
NTT Data Communications Systems	¥10,000	1999	4.10	100%	—	Noncallable, Fees 0.30%, Denominations 10 million yen, (Bul Fin)
Rabobank Nederland	¥10,000	1999	4	100.08	—	Noncallable, Fees 0.25%, Denominations 100 million yen, (Merrill Lynch Int'l)
Sweden	¥50,000	1997	3.10	100	100.05	Noncallable, Fees 0.15%, (Bul Fin)
Equity-Linked						
Ayala Land	\$100	2000	open	100	—	Coupon indicated at 4 to 4.5%, Noncallable, Convertible at an expected 4 to 8% premium, Fees 2.5%, Terms to be set next week, (Merrill Lynch Int'l)
Liberty Int'l	\$360	2004	Open	100	—	Coupon indicated at 6% to 6.5%, Convertible into shares of Liberty Life Association of Africa Ltd. The bonds will be callable from 1999 if the stock traded at 140% or more of conversion price. Terms to be set next week, (South Africa)

Long Rates At Highest Level Since Late 1992

By Kenneth N. Gilpin

NEW YORK — Long-term interest rates have risen to their highest level since just after President Bill Clinton was elected, as the bond market sold off after a June employment report that was much stronger than expected.

The Labor Department said the 379,000 rise in payroll em-

U.S. CREDIT MARKETS

ployment reported for June might have overstated the growth by as many as 100,000 jobs. But analysts said the figures, coupled with upward revisions in the number of jobs created in April and May, were consistent with an economy showing momentum.

In order to slow growth to a more sustainable pace, and thus keep inflation in check, analysts said the Federal Reserve Board would probably push up short-term interest rates for the fifth time this year.

"The numbers were undeniably strong," said David H. Resler, chief economist at Nomura Securities International. "Even though the employment data and anything else that happened in June was too close to previous Fed moves to have had any impact, I don't think the markets will give the Fed the luxury of waiting much longer."

The Fed made its last move in early May. The central bank's policy-making Federal Open Market Committee met early last week to consider whether the federal funds rate should be raised again. No decision was reached at that time, and the Fed did nothing Friday to indicate that it had raised the funds rate, which currently is at 4.25 percent.

On Friday, the Treasury's benchmark 6 1/2 percent 30-year bonds were being offered at a price of 83 1/2, down more than 3/4 point, or more than \$7.50 for each \$1,000 face amount of bonds. Its yield, which moves in the opposite direction to the price, jumped to 7.69 percent, from 7.61 percent on Thursday.

At 7.69 percent, the 30-year bond is at its highest yield since Nov. 9, 1992, when bond yields stood at 7.74 percent.

The Week Ahead: World Economic Calendar, July 11-15

A schedule of the week's economic and financial events, compiled for the International Herald Tribune by Bloomberg Business News.

Asia-Pacific

July 11 Hong Kong The Congressional Committee on the New Airport and Related Projects holds meeting. Hong Kong Hong Kong branch of Swiss Bank Corp. holds news conference to announce the launch of a new product, Hongkong's first "Green" bond.

July 12 Hong Kong Chairman and CEO of McDonald Douglas Corp. John Macdonald, speaks at an American Chamber of Commerce luncheon. New Delhi U.S. Energy Secretary, Hazel O'Leary, addresses Indo-U.S. Energy Summit.

Europe

July 11 Brussels EU finance ministers meet to discuss standardization of EU laws, including value-added taxes and withholding taxes on fixed-income investments. Tokyo Economic Planning Agency releases monthly economic report. Tokyo Ministry of Finance releases June merchandise trade balance.

July 12 Brussels EU finance ministers meet to discuss standardization of EU laws, including value-added taxes and withholding taxes on fixed-income investments. Tokyo Economic Planning Agency releases monthly economic report. Tokyo Ministry of Finance releases June merchandise trade balance.

Americas

July 11 San Jose, Calif. Semiconductor Industry Association is expected to release its closely watched book-to-bill ratio for June. Caracas Central bank expected to resume dollar trading after suspension of more than two weeks. Caracas Price controls on about 130 goods expected to take effect. Washington Senate appropriations subcommittee with jurisdiction over NASA



expected to decide how much money to allocate for space station. July 12 Washington June producer price index figures released. Washington June retail sales figures released. Washington The Treasury Department reports weekly money supply data. July 13 Washington The Federal Reserve reports June industrial production and capacity utilization. Houston Baker Hughes Inc. releases its weekly survey of the number of active oil and gas drilling rigs in the United States and Canada.

New Truth Serum for Mutual-Fund Advertising

By Susan Antilla

NEW YORK — It's just no fun being in the mutual fund business anymore. Portfolio managers are being told to dust off and read the company ethics policy, and fund companies are getting rapped on the knuckles for putting volatile securities in "safe" funds.

And as if that isn't bad enough, fund companies may soon be putting up with a new set of rules that will cramp their advertising style. Among other things, the proposed new regulations would demand that a fund refrain from claiming it is the "No. 1" performer unless it is the No. 1 performer.

Not that a fund company would ever do that, of course. Mutual funds have resorted to all manner of creative advertising over the years, wooing holders of certificates of deposit to volatile bond funds that play in the derivatives market, and trumpeting "first place" status whether they were No. 1 or 600.

Most recently, investors who believed the marketing hype were unpleasantly surprised to learn that some of the short-term bond funds that supposedly had little more risk than the money market ("an ultra short

bond fund for minimal risk" said one) are about as stable as the White House staff.

Watching over the flood of advertising and sales material for the National Association of Securities Dealers Inc. is R. Clark Hooper, leader of a staff of 15 who pored over 37,000 pieces of investment advertising last year — 90 percent of which was produced by mutual funds.

"This year, we're running at a rate of closer to 45,000," said Ms. Hooper in a recent interview. "And 45 percent of the material sent in has to be revised" before it gets the NASD blessing to be printed or put on the air.

When a fund ad gets bounced by Ms. Hooper's staff, it can be for any number of reasons, the most innocent of which can be some arcane technical violation of Securities and Exchange Commission rules that can be easily corrected. But fund companies also try to get away with "disclosing" the risks in ways that have no impact, said Ms. Hooper.

"Sometimes they put material in a footnote that Superman couldn't read," she said. "Sometimes there's a claim in the headline that should be explained on the first page of a sales docu-

ment that winds up being disclosed on the 95th page."

And sometimes, she added, there is a question about what the advertisement is implying. Typical is the ad that makes it sound as though there is no risk involved, as was the case with the "stable" short-term bond funds that blew up when interest rates soared earlier this year.

Another neat trick in recent years has been the "No. 1 fund" claim in the category you couldn't possibly care about. The new advertising rules submitted by the NASD to the SEC last November propose, for example, that advertisements "must not use any category or

subcategory that is based upon the mutual funds' asset size," Ms. Hooper said that abuses in fund advertisements tend to be quickly addressed — a persuasive claim when you consider where she gets most of her leads about the seamy side of advertising.

As it turns out, fund companies quickly inform the NASD when they see an ad that raises an eyebrow. "This industry is great about self-policing," she said. "If something shows up in the newspapers and a company has miscalculated the yield by two or three basis points, the competition will let us know about it."

WORLD STOCKS IN REVIEW

By Agence France Press

Amsterdam

Amsterdam ended the week down slightly as trading fell off late in Friday's session. The AEX index dipped 0.58 points Friday to close the week at 385.84 points.

Dealers were generally awaiting the outcome of the Group of Seven meeting in Naples before committing themselves on the markets.

Among leading issues, the chemical group Akzo Nobel gained 0.30 to close at 193.50 guilders, but Royal Dutch/Shell slipped 0.40 to 189.70. Philips lost 0.10 to end at 50.50, and Unilever gained 0.70 to end at 184.30.

Frankfurt

The Frankfurt stock market had an uncertain week in low-level trading, as investors waited for decisions by the U.S. and German central banks on interest rates and for the end of the G-7 meeting.

The DAX index ended at 2,050.85 points, up 0.70 percent from the previous week.

Commerzbank said the Frankfurt market was on the way back after sharp losses in June, when the DAX fell 5 percent. The bank expects to see the DAX at 2,350 in six months, primarily because of improved business earnings.

Bank issues were mixed. Dresdner Bank lost 0.50 Deutsche marks to end at 378.50, but Commerzbank gained 3.50 to 331.50 and Deutsche Bank moved ahead 10 to 714.

Carmakers were strong, with VW up 2.50 to 473 and BMW up 15 to 799.

Hong Kong

Stocks fell to their lowest point in two months in Hong Kong, as continued uncertainty over U.S. interest rates and currency values kept investors on the sidelines.

The Hang Seng Index ended at 8,432.96 points, down 201.41, or 2.33 percent, from the previous week and its lowest level since May 9.

Because U.S. Federal Reserve had not raised interest rates last week, brokers said investors would look to the G-7 meeting for signs of renewed currency stability.

Milan

The Milan stock exchange gained marginally in sluggish trading, the Mibtel index advancing 0.09 percent to close at 10,933.

Investors were waiting for signs that conditions were in place for a rise in economic activity and sitting tight until the end of the G-7 meeting.

With regard to domestic issues, financiers were anticipating a package of economic measures expected to be announced Thursday by the government of Prime Minister Silvio Berlusconi. The unveiling of the package was officially postponed to next week because of the G-7 meeting.

Among leading issues, the chemical group Akzo Nobel gained 0.30 to close at 193.50 guilders, but Royal Dutch/Shell slipped 0.40 to 189.70. Philips lost 0.10 to end at 50.50, and Unilever gained 0.70 to end at 184.30.

London

Prices fluctuated last week, ending slightly higher, as dealers waited in vain for news from the U.S. Federal Reserve and the Bundesbank.

The Financial Times-Stock Exchange 100 index of leading shares closed at 2,962.4, a weekly gain of 26 points, or 0.8 percent, on publication of figures showing that Britain's trade deficit narrowed to \$803 million in April, from a revised figure of £1.213 billion in March.

But inflationary fears and worries of higher interest rates remained.

The merchant bank Schroders, which said it was raising its 42.5 percent stake in U.S. investment bank Wertheim Schroder to 85 percent, rose 42 pence to 1,180.

Eurotunnel rose 9 pence to 270, after falling from gains earlier in the week. The result of its rights issue, published on Thursday, showed it was 95.1 percent taken up.

Paris

The Paris Bourse ended in an optimistic mood, with the CAC 40 index Friday up 2.5 percent at 1,920.78 points. But that was still 19 percent down from its Feb. 2 record high of 2,360.98 points, as trading remained thin at an estimated 1.7 billion francs.

The market remains in the bear mode into which it slipped after the U.S. decision to raise short-term rates in February. The resulting jitters on bond markets dragged European stock exchanges into their stream, as rates crept up in Germany and France.

Of leading issues, Eurotunnel slipped 40 centimes to 22.55 francs; Pechiney International was down 230 francs at 146.

Singapore

Prices on the Singapore Stock Exchange ended lower this week as investors stayed on the sidelines for most of the five trading days awaiting fresh leads from similarly cautious overseas markets.

The key market indicator, the Straits Times Industrial index lost 47.71 points to close the week at 2,162.94.

Dealers said that in the first four days of the week, investors were reluctant to move before knowing the results of the U.S. Federal Open Market Committee meeting. U.S. institutional funds, which played a part in last year's bull run here, were not eager to enter the market.

Even the release of improved trade figures for May failed to create any interest in the market.

Volume for the week amounted to 412.66 million shares worth 1.2 billion Singapore dollars, 12.7 percent down from the previous week.

Tokyo

The Tokyo market finished the week slightly off, with the Nikkei index slipping back to 20,526.51 as investors sat back to await developments at the G-7 meeting.

There were some buybacks but arbitrage-linked selling persisted.

On Tuesday, the Nikkei index had moved up to 20,834.37 as the yen further eased to 99 to the dollar. But its upward thrust was curbed in late trading as brokerage houses stepped up selling on their own accounts.

Despite the yen's strength, which makes Japanese products less competitive abroad in terms of prices, export-led electronics and autos had mixed fortunes. Sony Corp. closed at 6,030 yen, off from 6,010 yen a week earlier, but Sharp Corp. gained 90 yen to 1,840 yen.

Toyota Motor Corp. rose from 2,170 yen to 2,210 yen; Nissan Motor Co. fell from 864 yen to 831 yen.

Zurich

Zurich slipped back again in low-volume trading that failed to reach the 500 million-franc mark, as the Swiss Performance Index dropped 15.23 points to end down 0.8 percent at 1,702.11.

Dealers said the market needed more indications of the state of companies before committing themselves, and the continued weakness of the dollar hit export-linked issues.

Despite the gloom, banks were up, with UBS gaining 12 francs to 1,164 and SBS gaining 9 to 400. CS Holding pushed ahead 16 to 566.

Slide of Dollar Is Overplayed, Waigel Asserts

Bloomberg Business News

FRANKFURT — Finance Minister Theo Waigel says the world economy is sound and the dollar's recent slide against the Deutsche mark should not be overestimated.

In an interview with the newspaper Welt am Sonntag, Mr. Waigel said from Naples that finance ministers from the Group of Seven leading industrial nations had discussed the weakening dollar, but were not ready to act.

On Saturday, Mr. Waigel had said that a further fall in the dollar was "neither desirable nor justified." But in the newspaper interview, he seemed to adopt a less urgent tone.

"The dollar right now is roughly where it was in 1990 and is very stable," he said. "For all of the G-7 nations, Naples has bolstered their determination to consolidate and stabilize the dollar in the midterm."

The dollar this year has fallen more than 10 percent against the mark, 11 percent against the Swiss franc and more than 12 percent against the yen.

Euromarkets At a Glance

Weekly Sales July 7			
Chicago Market			
	Gold	Silver	Precursor
Strips/lot	81.60	746.00	2,572.00 1,485.50
Convert.	10.00	57.50	29.00 58.00
PERM.	45.00	23.00	61.00 52.00
1000	5208.50	5420.00	1725.00 5000.00
Total	5,064.10	4,455.60	12,799.00 8,011.70
Secondary Market			
	Gold	Silver	Precursor
Strips/lot	83.040	18,335.00	30,575.00 31,974.00
Convert.	10.00	40.00	50.00 1,000.00
PERM.	45.00	12.00	30.00 5.00
1000	5208.50	5420.00	1725.00 5000.00
BCP	4533.00	11,710.00	17,500.00 22,000.00
Total	10,654.00	31,237.00	50,860.00 64,153.00
Source: Euroclear, Credit.			

Libor Rates			
	1-month	3-month	6-month
U.S. 1	4.77%	4.15%	3.50%
Deutsche mark	4.12%	4.12%	4%
French franc	4.12%	5%	5.75%
ECU	5%	5%	5.50%
IBM	4%	4.75%	4.50%
Yen	2%	2 1/8%	2 3/8%
Source: Lloyds Bank Reuters.			

Tackling the 'Waste' of Unemployment

International Herald Tribune

NAPLES — There were few surprises in the final communiqué issued at the end of the summit meeting of the Group of Seven industrialized nations, but leaders made good on the promise made at the G-7 jobs conference in Detroit last March to announce special measures aimed at reducing unemployment.

While noting that economic recovery is under way, with inflation at the lowest levels in over three decades, the statement pointed out that it was still "an unacceptable waste" for over 24 million people to be unemployed in G-7 countries alone.

Apart from measures aimed at maintaining low-inflation growth, the communiqué commits G-7 members to tackling unemployment through the following structural reforms:

- Increasing investment in better basic education and on-the-job training.
- Reducing rigidities in the labor mar-

ket that add to employer costs or deter job creation, and eliminating excessive regulations.

• Promoting the spread of new, job-creating technologies, including the development of an integrated worldwide information infrastructure.

• Promoting job creation in areas where new needs exist, such as environmental protection.

On trade, the G-7 members pledged to seek the ratification of the Uruguay Round accord of the General Agreement on Tariffs and Trade this year so that GATT's successor, the World Trade Organization, can be established by January 1, 1995.

The G-7 also encouraged the study of new international trade issues by the Organization for Economic Cooperation and Development, especially the search for rules that would remove obstacles to foreign direct investment. It also supported study by the WTO of issues such

as trade and the environment, and trade and labor standards.

The communiqué called on the World Bank to strengthen efforts to reinforce private capital flows to the world's poorest countries, and asked the Paris Club of industrialized creditor nations to press ahead with debt write-offs for them. In the most desperate cases, these write-offs could amount to more than half the existing debt, U.S. officials said.

The G-7 expressed alarm at the growth of organized transnational crime, including money laundering, and promised to strengthen international cooperation to combat the problem.

Finally, it was agreed that the G-7 summit next year in Halifax, Nova Scotia, should focus on ways to sustain economic growth in the 21st century, and on adapting multilateral institutions and building new ones to reflect the changing structure of the world economy.

—ALAN FRIEDMAN

SUMMIT: G-7 Leaders Shrug Off the Weak Dollar and Stress Recovery

Continued from Page 1

dollar, G-7 finance ministers fanned out to repeat the same, agreed points about exchange rates. Lamberto Dini, who as Italy's treasury minister was the main spokesman on the dollar, said the fall in the dollar against the Japanese yen was "neither justified nor desirable."

Mr. Dini underscored agreement for European governments to step up efforts at deficit reduction and for Japan to continue stimulating its economy as it heads into recovery. But he acknowledged that "you can't dictate to markets, you can only try to persuade markets."

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Mr. Dini and Edmond Alphandery, France's economics minister, expressed the hope that the Naples talks would have a calming effect on currency markets. "I think we sent some good signals," Mr. Alphandery said.

Some officials acknowledged that markets might be disappointed that the summit meeting did not result in any immediate concerted action to prop up the dollar, but Mr. Bensten was careful to stress that governments and central banks retained the option of intervening in foreign exchange markets. "The one thing I don't telegraph is our future actions," he said.

Kenneth Clarke, Britain's chancellor of the Exchequer, summed up the view of G-7 ministers in remarks made on British television. "We are discussing the state of the markets," he said, "but nobody believes that the politicians here should take any initiative to leap into the markets, which ought to settle down because the fundamentals are good in the Big Seven countries."

Although Mr. Clinton was counting on the Naples talks to improve his standing as a world leader and correct the perception that his administration is weak on foreign policy, the president was judged by officials

from most other G-7 countries to have cut a less than authoritative figure. Although he termed the summit a success and had a successful meeting on Sunday with President Boris Yeltsin of Russia, Mr. Clinton's performance was marred by two events:

• His remarks on the dollar Friday, which effectively ruled out an immediate dollar support package, sent the U.S. currency plunging.

• On Saturday, he was forced to withdraw a proposal that G-7 countries begin a one-year review of new ways to reduce trade barriers after President François Mitterrand of France vetoed the idea on the grounds that it could damage efforts to ratify the recently signed Uruguay Round accord of the General Agreement on Tariffs and Trade.

Mr. Clinton and his aides tried to hide their embarrassment at having to scrub the trade initiative, which they had called "Open Markets 2000." But French officials, who were joined in their objections by Chancellor Helmut Kohl of Germany, called the Clinton proposal "sort of a UFO" and criticized the last-minute way it was put forward, in a letter from Mr. Clinton to his counterparts just 10 days before the Naples meeting.

Robert Rubin, Mr. Clinton's assistant for economic policy, said in an interview that "we deferred to the French view because ratifying the GATT agreement is our highest priority." Mr. Bensten tried to make light of the setback on Sunday by saying, "You're not gonna win them all."

Other results of the talks included an agreement among G-7 members to pledge a total of \$200 million in new grants for the shutting down and cleaning up of two dangerous nuclear reactors still operating at the Chernobyl plant. This is in addition to \$600 million of loans and grants pledged by the European Union at its recent summit in Corfu, Greece. Senior U.S. and European officials said the total amount expected to be committed for the Chernobyl shutdown and to help complete three safer nuclear reactors would be close to \$1.5 billion. The money is to come from government grants and loans as well as from the International Monetary Fund and the World Bank.

The meeting also held out the prospect of more than \$4 billion of World Bank and IMF funds for Ukraine over the next two years, providing the government there pursues serious economic reforms.

DOLLAR: With the G-7 Looking Complacent, Is There a Crisis Brewing?

Continued from Page 9

vention failed to arrest the dollar's decline. The current situation in the foreign-exchange market is unusual because speculators are not prominent.

But a dash of speculative excess now, even if it means a further temporary setback for the dollar, might clearly be welcome to officials. Speculators are notoriously fickle and often easily frightened into reversing positions, buying what they had just sold and thereby capable of setting off a bandwagon in the direction intended by the intervention that caused the scare.

So the question emerges, if there's relatively little speculation, are the laconic comments about the dollar emanating from the leaders of the world's seven richest industrial democracies at their summit meeting in Naples really aimed at enticing speculators to get active so that the next round of intervention can be successful?

"It's a very seductive thesis," says George Magnus at S.G. Warburg in London. "The situation is ripe for such a test."

Neil MacKinnon at Citibank in London concurs, although both analysts doubt it would be a successful ploy.

Mr. MacKinnon insists that economic fundamentals are working against the dollar. "I'm not persuaded that intervention coupled with changes in short-term interest rates can sustainably reverse the dollar's downward trend," he says, noting that previous increases in U.S. interest rates and declines in German levels have had no impact on exchange rates.

Mr. Magnus reads the public comments preceding and during the summit meeting as indicating that "no one is willing to take the measures necessary to arrest the dollar's fall or to push it up."

He sees no reason to expect an imminent change in

interest rates and forecasts a dollar comeback "when yields on U.S. bonds have been driven so high and the currency so low that international investors feel compelled to buy U.S. assets."

Avinash Persaud at J.P. Morgan in London warns, "It's wrong to assume that because U.S. interest rates were not increased after Friday's June employment report that they won't be soon."

He sees the Federal Reserve Board acting after this week's data on retail sales and inflation and likely to raise its key overnight cost of money by half a percentage point to 4.75 percent. That might give the dollar some temporary respite, Mr. Persaud says. But he expects the currency to resume its decline until the Fed increases rates another half point, which he times for mid-August.

He believes the dollar will head toward 1.50 DM until then and subsequently recover to 1.65 DM by year-end.

Mr. MacKinnon does not rule out a temporary bounce in the dollar, to perhaps 1.65 DM and 105 yen, but he remains convinced it's headed for record lows of 1.39 DM and 80 yen.

—CARL GEWIRTZ

MARKETS: It's the Time to Buy, Bond Analysts Say

Continued from Page 9

receive 8 basis points over Libor, dollar purchasers will likely be paid 10 basis points over Libor and DM buyers 11 basis points.

The yen portion looks to be the most attractive at a price of 8 over Libor can be swapped back into dollars for a yield of 16 over Libor.

Also scheduled for this week is the long-awaited \$1.5 billion issue from the Federal National Home Board. The five-year issue of global noncallable bonds is expected to be priced between 15 and 17 basis points over benchmark U.S. government paper, saving the borrower some 3 basis points compared to what it usually pays to tap the domestic market.

Spain will tap Japanese demand for yen by selling up to 150 billion yen of 10-year bonds. As the calendar for new issues shows, there is tremendous demand in Japan for paper offering a pick-up over government issues. But this is largely confined to maturities of two to six years and underwriters question how much demand there will be for 10-year paper.

The search for investments and the unwillingness of Japanese to consider any currency other than yen catapulted that currency to a record 23 percent share of overall activity in the international capital market during the second quarter, data compiled by Salomon Brothers shows.

Overall, new-issue volume dropped 33 percent from the opening three months of the year with total activity in the latest period valued at the equivalent of \$88.2 billion, the lowest quarterly volume since 1992.

Given the dollar's sharp decline — down 12 percent against the yen and off 8 percent against the Deutsche mark since the start of the year — it's no surprise that the dollar's share of total second-quarter activity fell to a low 31 percent.

The French franc nudged into third place behind the yen with a market share of 8 percent, just ahead of sterling with a 7.6 percent share and the mark with 7.4 percent.

Iran Airline Buys Airbus

TEHRAN — The private Iranian airline Safran has signed a contract in Paris to buy three A-300-B4 Airbus for more than \$100 million, the newspaper Risalet reported.

Risalet quoted Mohammad Razer, the general manager, as saying that Safran had been negotiating the purchase for a year with Airbus, one of the four partners in Airbus Industrie. It said no bank guarantee had been required for the deal, signed after last week's agreement between France and Iran rescheduling debt that some diplomats put at \$300 million.

Payments for the Airbus will be stretched over eight years, Mr. Razer was quoted as saying. The contract covers equipment and spare parts. The planes, which can carry 300 passengers, were made in 1983 but had relatively low flight hours, he said.

Safran, formed four years ago as a charter transport airline, will use them domestically and on regional routes to such destinations as Middle Eastern and Central Asian countries.

NASDAQ NATIONAL MARKET

Consolidated trading for week ended Friday, July 8, (Continued)

Stocks	Div	Yld	High	Low	Chg	Chg
Alcoa	1.25	5.1	122 1/4	121 1/4	+1 1/4	+1 1/4
Alcoa	1.25	5.1	122 1/4	121 1/4	+1 1/4	+1 1/4
Alcoa	1.25	5.1	122 1/4	121 1/4	+1 1/4	+1 1/4
Alcoa	1.25	5.1	122 1/4	121 1/4	+1 1/4	+1 1/4
Alcoa	1.25	5.1	122 1/4	121 1/4	+1 1/4	+1 1/4
Alcoa	1.25	5.1	122 1/4	121 1/4	+1 1/4	+1 1/4
Alcoa	1.25	5.1	122 1/4	121 1/4	+1 1/4	+1 1/4
Alcoa	1.25	5.1	122 1/4	121 1/4	+1 1/4	+1 1/4
Alcoa	1.25	5.1	122 1/4	121 1/4	+1 1/4	+1 1/4
Alcoa	1.25	5.1	122 1/4	121 1/4	+1 1/4	+1 1/4

Stocks	Div	Yld	High	Low	Chg	Chg
Alcoa	1.25	5.1	122 1/4	121 1/4	+1 1/4	+1 1/4
Alcoa	1.25	5.1	122 1/4	121 1/4	+1 1/4	+1 1/4
Alcoa	1.25	5.1	122 1/4	121 1/4	+1 1/4	+1 1/4
Alcoa	1.25	5.1	122 1/4	121 1/4	+1 1/4	+1 1/4
Alcoa	1.25	5.1	122 1/4	121 1/4	+1 1/4	+1 1/4
Alcoa	1.25	5.1	122 1/4	121 1/4	+1 1/4	+1 1/4
Alcoa	1.25	5.1	122 1/4	121 1/4	+1 1/4	+1 1/4
Alcoa	1.25	5.1	122 1/4	121 1/4	+1 1/4	+1 1/4
Alcoa	1.25	5.1	122 1/4	121 1/4	+1 1/4	+1 1/4
Alcoa	1.25	5.1	122 1/4	121 1/4	+1 1/4	+1 1/4

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MONDAY SPORTS WORLD CUP

WORLD CUP WRAP-UP

Compiled by Our Staff From Dispatches

There were 118 goals scored in the first 44 matches of World Cup '94—an average of 2.68 per game—but exactly how were those goals scored?

Fifty-five came off right-footed shots, 26 off left-footed shots, 18 were scored on headers and 13 on penalty kicks. Another three were scored on direct free kicks, and the last three were own goals.

Russia's Oleg Salenko was the top goal-scorer, with six, four on right-footed shots and two on penalties.

The most well-rounded striker was Germany's Jürgen Klinsmann, who scored two with his right foot, two with his left and one with his head.

The top aerial threat was Sweden's Martin Dahlin, who had used his head on three of his four goals.

• Because of the time difference, two of Italy's games in prime time in Rome at 10 P.M., and the other three, including Saturday's quarterfinal against Spain, in early evening when shops are open.

Yet in a country of 57 million, each of Italy's first four matches drew a television audience of between 22.5 million and 25 million viewers. That represents up to 85 percent of the TV sets in the country.

However, five prime-time Italian appearances in the Italia 90 Cup drew bigger audiences. The most-watched game in Italian history came that year in the penalty-kick loss to Argentina, which attracted nearly 30 million viewers and 87 percent of people watching television.

In Ireland, its team's matches produced the highest television ratings in the nation's sports history, RTE, the Irish television network, reported.

According to one telephone poll, 93 percent of all viewers watched Ireland's opening game against Italy. The percentage was even higher when Ireland played the Netherlands in the second round, with the Irish Times reporting that the game was seen by "virtually the whole population."

• Henry Winter of the Independent of London reminds readers that American's first soccer league was founded in 1921, but founded in the Depression, ending some colorful club names: the Providence Clamdiggers, Bethlehem Steel, J&P Coats of Pawtucket, Brooklyn Wanderers, Boston Wonder Workers and Indiana Flooting of New York.

• Javier Clemente, Spain's blunt, chain-smoking coach, has been feuding with Spanish media since the team arrived in Chicago on June 10.

On Friday he announced, "I don't care what the media says. But if you know so much, you can make out the lineup. Why in the hell am I here?"

He later confronted a Spanish reporter who had compared Clemente to a dictator.

"You should never say that about somebody from Spain! Or somebody from Italy!" he said. "Italy had Mussolini, we had Franco, those are bad memories. Please, I cannot be a dictator."

• The Financial Times of London quoted a report from the Albania newspaper, Koha Jone (Our Time), that a man short of gambling cash lost his wife after staking her on the outcome of a World Cup game.

The gambler was so sure Argentina would beat Bulgaria in their first-round match that he bet his wife. Bulgaria won, 2-0. The wife disappeared with the winner, and the loser was left to complain to the police.

• FIFA said it's campaign to put more emphasis on offense had produced an unexpected benefit: Two extra games.

Joseph Blatter, FIFA's general secretary, said the ball was in play an average of 61 minutes, 37 seconds during the first 44 games, or about six minutes more per game than in the last World Cup in 1990.

Doing some quick math and even quicker spin-doctoring, Blatter declared: "That's like offering the fans two more games."

Actually, three, if Blatter redoes his math for the 90-minute contests.

• Flacido Domingo's addition came out no better.

At Italy's match against Spain Luciano Pavarotti was rooting for Italy, while Domingo and José Carreras were rooting for Spain.

The three tenors, who will reunite next Saturday for a concert at Dodger Stadium on the eve of the final, discussed the possibility of a Spain-Italy game when they gathered in New York three months ago.

"Since we are two against one, perhaps Spain will beat Italy 2-1," Domingo said.

• Belgium filed a "very polite letter" criticizing a referee's blown call that might have helped eliminate the team from the second round.

The Belgians did not submit a formal protest or complaint over the actions of referee Kurt Roethlisberger in a 3-2 loss to Germany last Saturday, said Joseph Blatter, secretary general of FIFA.

Roethlisberger acknowledged a mistake in failing to call a foul in the 70th minute of the game when Belgium's Josip Weber was tripped in the penalty box. A foul at that spot would have resulted in a penalty kick for Belgium.

"We received a very polite letter from Belgium, saying they were sad to have the tournament end for them in such a sad situation," Blatter said.

FIFA publicly criticized Roethlisberger and another referee, Pierluigi Paresi, for missing key calls in the second round and dropped them from the list of officials for the quarterfinals onward.

(LAT, Reuters, AP)



Brazil's fans in Dallas, top, and Italian supporters in Rome celebrating victories in the quarterfinals.

Sure, There's The Economy, But G-7 Leaders Bow to Soccer

NAPLES — Italians celebrated wildly Saturday after their team's 2-1 victory over Spain carried them into the World Cup semifinals, and even the leaders from the Group of Seven industrialized countries assembled here for a summit acknowledged their interest in the tournament.

Prime Minister Silvio Berlusconi took time out from the summit to declare "I believe in the new Italian miracle," just as Dino Baggio put Italy ahead in the 26th minute.

President François Mitterrand, of France, admitted that affairs of state could not compete with soccer. He offered to cut short a news conference that was under way when the match started.

"It would free you, and me too," he said.

Warren M. Christopher, the U.S. secretary of state, apologized for keeping reporters from watching the game. He said he felt guilty holding a news conference while the game was being shown live on television.

Near-hysterical celebrations in Naples put police and troops guarding the G7 leaders on alert as 200 jubilant fans on motor scooters surged toward security cordons near the 18th century Royal Palace. Police turned them back.

At the palace, hundreds of staff, journalists and officials took a break from the summit to watch the game.

Japanese security guards protecting Yoshi Kono, the deputy prime minister, visibly flinched during a news conference when the roar went up at the palace to celebrate Dino Baggio's goal.

Throw-Ins Will Get the Boot In 3 Leagues Next Season

DALLAS — Three European leagues will experiment with kick-ins instead of throw-ins next season, said Sepp Blatter, the general secretary of FIFA, soccer's governing body.

Blatter said the Belgian and Hungarian second divisions and an English semi-professional league would test the kick-ins and said he expected the change to be written into the laws of the game within two years.

"I am sure that in two years the kick-in will replace the throw-in in the laws of the game and then we will have an even faster game than we have now," Blatter said.

The kick-in, used in soccer in the 1860s and 1870s, was replaced by the throw-in in 1882.

Blatter said the kick-in also would return another skill element to the game. "There will be more technique than we have now, because by kicking the ball in it is easier to control it."

FIFA tested the kick-in during last year's World Youth Cup in Australia.

Blatter also said that sudden-death goals would be introduced at the next World Cup finals with the first team scoring in extra time taking victory.

Thieves Target Foreign News Crews

NEW YORK — The dozens of foreign news crews in the United States for World Cup soccer have become a bonanza for those in the highly lucrative business of stealing television cameras from unwary technicians.

Police say that the theft of cameras, which can be worth up to \$50,000 each, is on the rise, spurred in part by the large number of news organizations that have come for the games from around the world.

Police say the thefts employ a "big-ticker" version of a popular technique in which the thieves create a diversion, sometimes spraying ketchup on their victim, and then grabbing the desired item.

"Here they're getting a machine that's worth

\$50,000. This is a good bit on the street. This is a good thing to go for," said Vincent Bowes, a New York detective.

Fans coming to New York have been warned about such ploys for years and news crews based in New York and other big cities know not to put down their cameras no matter what.

"If you put that camera down, it's going to disappear," Bowes said.

Authorities have issued special alerts to news crews from overseas.

The last three reported thefts in New York were from television stations in Scotland, Italy and Uruguay.

The thefts are often brazen.

One camera was stolen from a crew as they did interviews in New York's financial district.

Another was taken off the front seat of a car at Giants Stadium in New Jersey in an area surrounded by police and security guards as the technician was using another camera to do a live interview with soccer legend Pelé.

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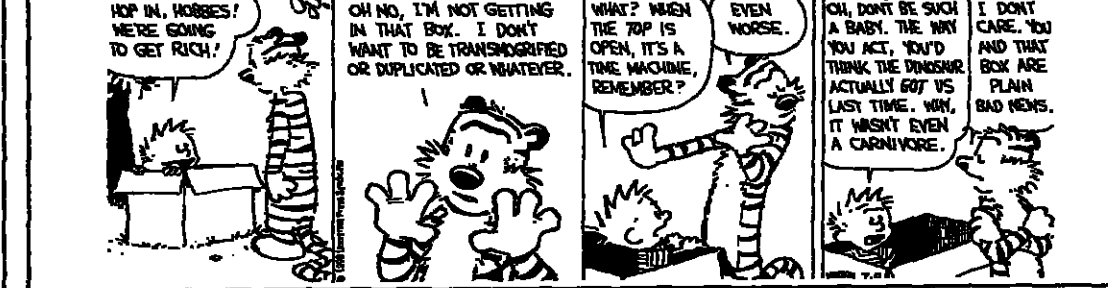
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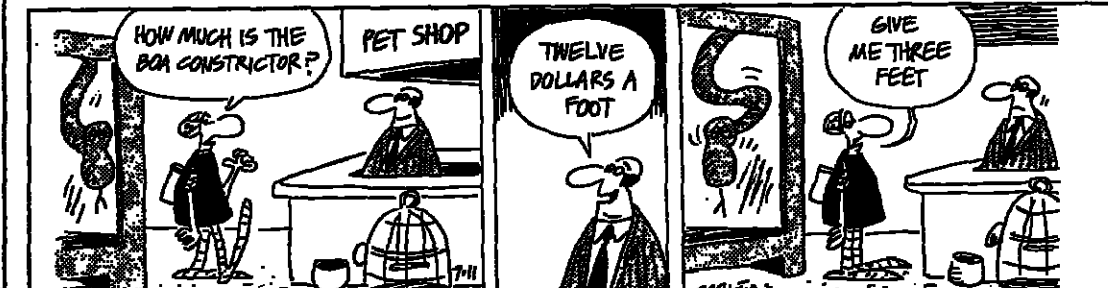
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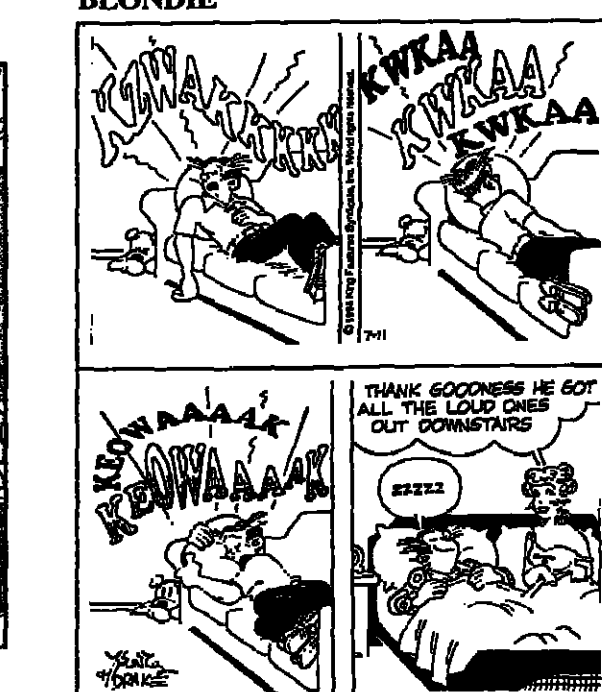
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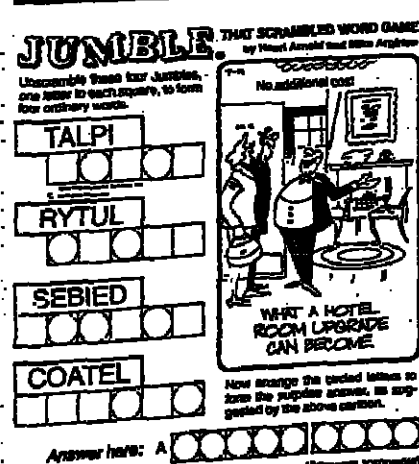
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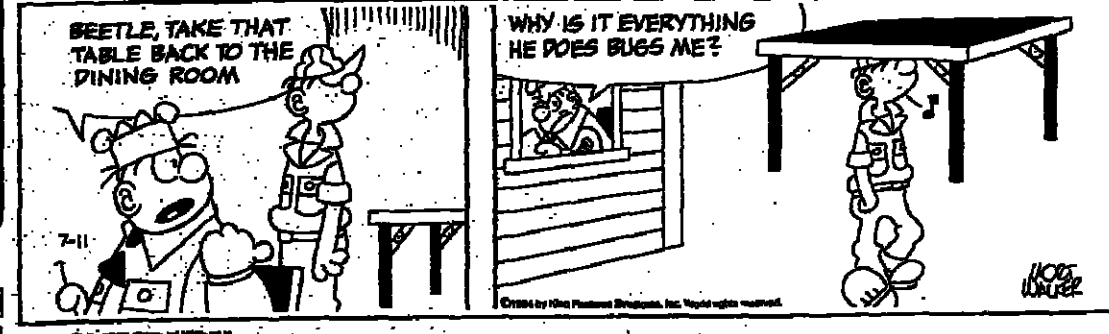
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MONDAY SPORTS WORLD CUP

This Italian Road Show Is Beginning to Look at Lot Like 1982's

PAOLO ALTO—No one ever said sports were fair. Don't tell me that you cannot remember moments on the school playground when—no matter how hard you tried, how much you hoped—you were made green with envy by the boy who seemed to be blessed with everything.

You know the one I mean. He could do with his eyes closed what you could practice over and over and never succeed at. He had skill, grace, timing. Especially timing. In games, it decides all.

We saw the adult version of that blessing, and that playground envy, in Foxboro Stadium outside Boston on Saturday.

Eight minutes from the final whistle, Spain's Julio Salinas had the opportunity to finish off Italy. The man and the ball were there. With the goal just in front of him, but Salinas, taut of nerve, could not score.

Two minutes from the end of the match, from an almost identical position, Roberto Baggio did score, imperiously,

for Italy. For the second match running, Baggio had snatched victory from the jaws of defeat; his timing was that of the playground gods.

How jealousy must have settled on Salinas. He is a paid predator—in the eyes of his national team's coach—the most dependable finisher in all of Spain. Salinas also is a deceptive fellow. He plays for the richest Spanish club, but plays mostly as a reserve. He is as willing as the day is long: a tall, lean, honest striver who never gives up.

Those qualities are trusted implicitly by Javier Clemente, the Spanish team's coach. They are hardly recognized at all by Johan Cruyff, the Barcelona coach who has made two foreign, exotic World Cup strikers, Hristo Stoichkov and Romário, his first choices.

So Salinas is obliged to put everything into his national team calling. He got Spain to this World Cup, scoring seven goals in seven qualifying appearances.

His methods are a triumph for perseverance. Salinas might look as if staying upright is a major act of control, a struggle against poor coordination, but he has

the courage and the timing to get there. Up to a point. On Saturday, unusually, he had come on late, as a second-half substitute. By then Spain seemed to be capitalizing on the unfairness of the World Cup scheduling that had granted the team three days more rest than it had given Italy.

When the humidity exceeds 100 percent, when every stride seems to be in the quicksands of fatigue, those extra days ought to count. And they seemed to have, for by the time Salinas took the field Spain undoubtedly had the physical and emotional edge.

With Italy fading fast, it fell to Salinas to put everyone out of their misery. Italy's coach, Arrigo Sacchi, was twitching on the sideline; Spain's Clemente had lit a cigarette; all eyes were on Salinas.

Italy's defense fell apart before Salinas. Goalkeeper Gianluca Pagliuca came slowly, reluctantly off his line. Now, Julio, hit it now!

There was a split second, an iota of time between thought and execution. Do it, Julio, he heard Pressure gripped the moment. Finally, he shot. Too late, far too

late—Pagliuca blocked the shot, instinctively, with his right leg.

I think we sensed then that Italy would be relieved. We probably knew who would turn the screw, Roberto Baggio.

Just where he had been this last half hour no one, least of all his Italian colleagues, seemed to know.

Nicola Berti, a midfielder playing despite injury, lobbed the ball hopefully forward. Giuseppe Signori, a front-runner fighting insecurity, flicked it on, quickly, intuitively, trusting that No. 10 would be lurking in the penalty area.

He was. Now it was Baggio versus Andoni Zubizarreta, forward versus goalkeeper, in virtually the exact spot from where Salinas had failed.

Baggio is not Salinas. His clock seems to work in fits and starts, to have an alarm bell that wakes him to inspiration. He didn't hesitate. With a body swerve a matador would kill for, Baggio dodged the goalkeeper with a sweep to the right and he could clearly see the whites of the goalposts.

Calmly, he balanced himself. He could see a defender on the goal line, knew the shot would have to be swift, powerful,

precise. No problem: From an acute angle, he drove the ball between Abelardo Fernandez and the near post.

Did Baggio even know the sweet irony of it? Abelardo had tried, the first opportunity early in the game, to put a stop to Baggio's match-winning tendency.

The Spanish defender had lunged at him, using the boot on his foot to pass over the ball and crash down on Baggio's shin. It is an evil trick, despised in the game, and one that should have brought out the red card and not merely the yellow that was shown to Abelardo.

Briefly, Baggio was battered. He was carried off on a stretcher, and those who accuse this Italian savior of timidity may well have assumed his match was over.

"Baggio is simply no good," one Rome-based journalist had written a week earlier. "He has bags of skill and talent, but when the pressure is on, he disappears. If Sacchi is a man of courage and character, he will now drop Baggio, notwithstanding the player's status of national sporting idol."

That and many other Italian editorials would have had Baggio out before the

match against Nigeria—which he saved with a goal in the final minute and won with a penalty in extra time.

When, after that, the same experts who had referred to him as "the author of a sporting betrayal without precedent" sought to praise him, Baggio had words as sharp as his finish. "I am nobody's savior. I'm the same as I was yesterday morning. The team always had commitment and the will to win. We've proved we are not the wimps some people in the press think we are."

Either Baggio had gotten twice lucky, or he had indeed proven those things. Heaven help us. The Italians, turning traumatic neurosis to triumph in the nick of time, might actually win this tournament.

The pattern is reminiscent of 1982, when the Italian team began dreadfully, found a talisman in Paolo Rossi, and proved all of its rotten forebodings by winning the cup. It is a strange, indefinable thing, but Italy's World Cup history always teases us with boredom, always trawls through self-doubt, always comes up with a thin man Rossi, Riva... and now Roberto?

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Baggio Follows His Script, Italy Advances to Semifinals

By Ian Thomson

International Herald Tribune

FOXBORO, Massachusetts—The final two minutes became Roberto Baggio's encore. It happens all the time in theaters, choreographed and rehearsed behind the curtains, but the 54,605 who paid their way in here would not dare have imagined the star confirming stardom in his country's biggest game.

Yet Baggio acts now with the audacity of someone whose heroics have been written out for him; he's the calmest, surest striker this side of Romário, and of course he has final editorial control. So he rode out the negatives until it was time to seize Italy's 2-1 victory over Spain in the 88th minute of their World Cup quarterfinal Saturday, when Roberto Donadoni's vertical ball ricocheted off of Giuseppe Signori—his was a desperate knee-high punch of a pass—and out wide to Baggio, whose own recent play is driving him toward the highest expectations.

"The goal he scored was one of a champion," said Arrigo Sacchi, or so Italy's manager hopes. An Achilles' tendon injury has slowed Baggio, and his tinkering manager has frustrated him as much as any trip-tacking defender. Following Sacchi's decision to remove Baggio early in their second game, the Italians had won a couple of matches short-handed to get this far. They wouldn't have returned for the quarterfinal if not for Baggio's tying goal in the 89th minute here last week against Nigeria, which allowed him to then create and convert the winning penalty in extra time. But that was just the prolog.

The Nigerian miracle had inspired not confidence but just four more changes in the lineup. If Sacchi were a painter he would never finish a painting. It is not entirely his fault. His fans who constantly say that Sacchi ought to be replaced can cite example after example of his impatience. In order to live up to their expectations, Sacchi makes more and more changes. Nobody sees the irony in this. The job is impossible.

One of his new starters in midfield, Dino Baggio, slipped in a wicked opening goal from beyond the box in the 26th minute. It was a rare, even-handed lead for Italy, and wouldn't last. The air was humid and foggy as a bathroom's during a hot shower, and the Spaniards had rested for six days. The second half belonged to them as sweepers Miguel Angel Nadal and midfielder Luis Enrique were sent forward, Fernando Hierro and Julio Salinas were brought in to run and, in the 59th minute, a dazzling build-up was finished by José Luis Caminero, deflected by the foot of exhausted defender Antonio Benarrivo.

But their advantages in work and effort turned against the Spaniards as they almost always do in this neighborhood rivalry.

Italy was looking forward to its seventh World Cup semifinal on Wednesday against either Germany or Bulgaria, while Spain has failed to survive three quarterfinals. It almost always loses

to Italy in meaningful (non-Olympic) international; the Spanish league is probably second only to Italy's, and just two months ago AC Milan swept away favored Barcelona, 4-0, in the European Champions Cup final. Five of those Milanese went up against seven embarrassed Barcelonans on Saturday, including Spain's most-capped player, Andoni Zubizarreta, the goalkeeper who was out the door and headed for Valencia after his display in Athens.

A brawl almost resulted (during the final injury time, aptly) when the elbow of Milan's Mauro Tassotti broke Luis Enrique's nose. The two had to be separated as teammates rushed in, and Enrique refused to board his referee-ordered stretcher. Led at last to the sideline, his trainer kept him still by sitting on top of him—and had to shove Tassotti aside as the Italian made another run at Enrique when the game was over.

"I believe the play should have been whistled," said Javier Clemente, the Spanish coach.

His team really should have gone ahead in the 83d minute when Salinas was alone with Gianluca Pagliuca. Pagliuca is the goalkeeper who unwarily got Italy going by getting himself ejected in the second game. He was given his job ahead of his replacement for 2½ games, Luca Marchegiani, and in the crucial moment he made the great play of allowing Salinas to dribble blindly into his ankle.

"There are so many people I would like to congratulate for this victory, but most of all I would like to congratulate myself," said Pagliuca with a broad smile. "My being expelled, and then being able to come back and play a good game, deserves my praise."

Roberto Baggio had practically been forgotten when, two minutes before the closing credits, a door was kicked open and there he was—in the right side of the box with only the "keeper in his way. Zubizarreta, having already lost his Barcelona career to these Italians, twitched and dove as if trying to tackle a cat. His forearms thudded together: Nothing.

But he rolled to see that he had forced the ball out to a difficult angle, giving time for his teammate Abelardo to race in and cover. We are talking of a second's fraction. The ball seemed to inhale and squeeze itself in between the right post and Abelardo's stomping foot. Before the curtain could jerk, Baggio was blowing a kiss to the crowd.

So the Spaniards, who, with Sweden, had scored the most goals (9) in the first four games, now go home earlier than they should. At the very least, they should have gone into extra time and worn out Italy then. But the Italians have earned confidence in someone who may prove to be more valuable than all of Brazil's style or Germany's efficiency.

"You try to do everything you can down to the last drop of energy you have," Roberto Baggio said.



Spain's goalkeeper, Andoni Zubizarreta, stretched a leg—and failed in the attempt—as the match-winning goal was kicked in by Roberto Baggio.

Pagliuca Storms Back for Italy After Suspension

The Associated Press

FOXBORO, Massachusetts—A nightmare is over for Gianluca Pagliuca.

Pagliuca had a difficult time sitting through a two-game suspension, watching his friend and backup play for Italy. It was a lot harder than facing Spain in the quarterfinals.

Pagliuca's outstanding performance after serving his suspension helped Italy to a 2-1 victory and into the World Cup semifinals. It also healed the bruised morale of the Italian goalies.

"I'm so happy for the contribution given to the team. I badly needed a good game," said Pagliuca, 27. "You can't imagine my sufferings in the last two weeks, following my ejection. And the

doubt about my comeback, taking the place of a friend who did well in my absence."

Red-carded after 21 minutes of Italy's first-round game against Norway, Pagliuca missed matches against Mexico and Nigeria. Substitute Luca Marchegiani performed well.

Pagliuca handled the ball outside the penalty area to stop a Norwegian breakaway, drawing an ejection and an automatic two-game suspension. Italy struggled to a 1-0 victory playing one man down.

"I did it to stop the team conceding a goal which could have meant elimination," Pagliuca said. "But staying out for two games, at a crucial time of the competition, was a hard blow for me."

Arrigo Sacchi, the coach of Italy, decided to put Pagliuca back in the starting lineup on the eve of the game against Spain. His confidence was repaid with strong play.

In the 84th minute, he made a superb stop with the tip of his shoe on a shot by Julio Salinas, who had rushed uncovered into the Italian penalty area.

Four minutes later, the star forward Roberto Baggio scored Italy's winning goal.

"When Salinas came at the net all alone, I thought that our World Cup trip had come to an end," said Pagliuca, whose soccer career was threatened last year by a serious highway accident. "Instead, I managed to stop him and shortly after, Baggio sealed victory."

In injury time, as Spain pressed for a tie, Pagliuca twice jumped high in the middle of a group of players to grab dangerous passes.

"Pagliuca was very good. He's the No. 1 goalie of the team and I thought he deserved his place back," Sacchi said after victory at Foxboro Stadium.

Pagliuca said Spain's goal in the 48th minute was actually scored by the Italian defender Antonio Benarrivo.

"I could have stopped the shot. Benarrivo deflected the ball and put it beyond my reach," Pagliuca said.

Asked to whom he wanted to dedicate Saturday's victory, Pagliuca never hesitated: "To myself. I deserved it."

Branco Scores a Point Against Critics

The Associated Press

DALLAS—Brazil's "old man" came through, in style and in the clutch.

As Branco left the field in the final minute of Brazil's dramatic, 3-2, win over the Netherlands in a World Cup quarterfinal game Saturday, fans in the Cotton Bowl stood and applauded.

The defender not only created the play that resulted in the winning goal, but scored it on a booming left-footed free kick in the 81st minute.

"I looked at the scoreboard and I saw there were 10 minutes left," he said after the game. "I had to try something, and I figured now was the time."

His shot skirted the end of the wall and nicked the post on its way into the right corner.

It was vintage Branco—he had been scoring like that through a long career that includes two previous World Cups. But this one had a special significance.

"I call it my 'put up or shut up' goal," he said. "This shuts the mouths of a lot of people who said I was through, that I didn't belong on the team."

It's been a long road back for the 30-year-old defender.

Injuries late in the season and at training camp had cost him his starting berth. Leonardo, his replacement, was three years younger and a lot more spry.

Many Brazilians felt Branco was too old to run both ends of the field as a lateral defender, one of soccer's most grueling positions.

Suddenly, Leonardo was gone, out for the Cup with a four-game suspension for

elbowing the U.S. midfielder Tab Ramos. Branco was back. But was he ready?

The Dutch team would provide the answer. Branco would cover Marc Overmars, a quick and dangerous attacker.

"It's funny, but I wasn't in the least worried about making him, although he's one of the team's best players. And I don't think he had much of an influence on the game," Branco said.

Branco shut down Overmars, and the Dutch team didn't create much of anything on his side. The two goals, resulting from a corner kick and a throw-in, started on the right side.

But the criticism he took still rankles. "Certain people ran an orchestrated campaign against me," he said. "But my teammates and the medical staff stood by me, and God gave me this chance."

But if the referee made errors, so too did Spain, and none greater than in allowing Roberto Baggio's goal.

"In football there's always mistakes. That second goal was genuinely a superb counterattack which caught us by surprise with only four men in the back," Clemente said. "I agree it was very lamentable."

José Luis Pérez Caminero, who scored Spain's only goal in the 59th minute, said "I don't know what went wrong in the midfield, but they told us that Baggio was offside, maybe it was that."

José María Bakero saw it as more a lack of decisiveness on Spain's part.

"There's no room for lamenting," he said. "We had clear opportunities we couldn't exploit, more than the Italians. The difference is with Italy if you don't hammer it home, they will."



Branco, right, shut down the quick and dangerous forward Marc Overmars before beating the Dutch with his free kick.

LANGUAGE